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ETHICS

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Climate Justice and Tax Justice: Key for Global Ethics

Christoph Stückelberger, Geneva/Switzerland

Justice, based on equality, is a key value in all value systems around the world including: all world religions, non-religious philosophical systems, and world views. But there are obviously manifold interpretations of the content and meaning of justice/equity, its priority related to other values and its implementation. The blood revenge in many tribal traditions around the world is not the same justice as the “new justice” of Jesus’ Sermon on the Mount with its message to “love your enemy.” Even respecting this diversity, in international human rights declarations and conventions as well as international law, the global human community has already reached an impressive level of common understanding of justice. The following contribution begins with a brief description of the *relationship between global and contextual ethics*. Chapters two and three then develop principles of global *climate justice* and apply them to the current political debate on climate politics. In a similar way, chapters four and five, principles of *tax justice* are then applied to the current hot topic of tax evasion and tax justice for developing and emerging countries. The author’s background is protestant, reformed theology and ethics; nevertheless, this article does not develop the specific theological and reformed justifications of the various principles and dimensions of justice, and he refers to his other publications for such foundations.¹

Global and Contextual Ethics

Today’s globalized, interdependent world needs common values for interaction and joint action. At the same time, it needs the respect for diversity as a gift, beauty and richness of this humanity. But what is the relation between the

1 E.g. Stückelberger, Christoph/ Mathwig Frank, *Grundwerte. Eine theologisch-ethische Orientierung*, Zurich, Theologischer Verlag, 2007, 74-100; Stückelberger, Christoph: *Global Trade Ethics*, Geneva, WCC Publications, 2002.

two? Globethics.net proposes the following understanding for dialogues on values²:

“Global ethics is an inclusive approach towards common binding values, guiding principles, personal attitudes and common action across cultures, religions, political and economic systems and ideologies. Global ethics is grounded in the ethical recognition of inalienable human dignity, of freedom of decision, of personal and social responsibility and of justice. Global ethics acknowledges the interdependence of all human and non-human beings and extends the basic moral attitudes of care and compassion to our world. Global ethics identifies trans-boundary problems and contributes to their solution.

Global ethics fosters public awareness of those fundamental values and principles. They are the foundation on which the universal consensus on human rights is built. Human rights are the most tangible and legally binding expression of this ethical vision. Global ethics fosters trust among human beings and strengthens caring and action for global environmental protection.

Contextual ethics takes seriously the identity of persons and institutions in their local, cultural, religious, economic and political contexts. Global ethics needs to be local and contextual in order to have an impact on individual action and societal structures. On the other hand, contextual ethics becomes isolationist if it remains local and is not linked to global ethics.

Contextual ethics appreciates and respects diversity in its different forms as social, political, cultural, religious, and bio-diversity. There is an enormous richness in diversity. It may decrease vulnerability and be a source of sustainability.

Contextual ethics contributes to global ethics. Together they can lead to unity in diversity. All cultures and religions can contribute to global values. For example, the contribution of African values to global values includes that all of reality is a continuum, from the spiritual to the human to fauna, flora, and the inanimate world. Therefore, injuring nature is unethical. This implies responsibilities towards non-human living beings and the inanimate universe as well as the continuum between generations that have gone before and that come after us.

Global and contextual ethics are two poles which challenge each other and inseparably belong together.

Global and contextual ethics have to consider power structures. Global ethics can be abused for domination over other cultures, religions and values. Contextual ethics can be abused to defend traditional privileges or power. On global as well as on local level, ‘power over others’ tends to be oppressive, ‘power with and for others’ tends to be empowering and nurturing. Power as ‘power from’ (e.g.

2 The following chapter, mainly written by the author, is quoted from *Globethics.net Principles on Sharing Values across Cultures and Religions*, published by Globethics.net, Geneva 2009. www.globethics.net.

power from God, from the people through election) can be abused to justify oppressive power. It can also be used responsibly as an empowering power, serving the needs of the needy and thus responding to the origin of power.”

Global and contextual Climate Justice

Climate change is probably the most urgent challenge for humanity since it affects every single part of the world, but in very different ways and since it influences all other efforts such as poverty reduction, education, gender equality, environmental sustainability, economic, financial and political stability, spiritual hope, peace etc. The World Alliance of Reformed Churches at its 24th General Council in Accra 2004 in its Report of the Public Issues Committee adopted the following recommendation to its member churches: “As our commitment on confessing our faith in the face of economic injustice and ecological destruction, ... WARC recommends ...: 2.4 Call on governments to fulfil international and national environmental obligations such as the Kyoto protocol against global warming and the Cartagena protocol for biosafety; to set new global warming targets to reduce greenhouse gases by 60 per cent by 2050; and to promote new international agreements on conservation of water, soil and forest.”³

Before and during the climate negotiations in Copenhagen in December 2009, “Climate Justice” became the key term for the value-oriented efforts and the goal where to go. But what does it mean?⁴

Climate Justice means just and fair instruments, decisions, actions, burden sharing and accountability for the prevention, mitigation and adaptation related to climate change.

1. *Capability-related justice* means that every person and institution has the duty to contribute solving problems on the basis of their capability. This means related to climate justice: Everybody can and should contribute according to his/her physical, economical, political, intellectual and spiritual capabilities. An economically strong person, institution, company or state has to contribute more than an economically weak person, institution, company or state to solve the climate challenges.

3 Accra 2004. Proceedings of the 24th General Council of the World Alliance of Reformed Churches, Geneva 2005, 201.

4 For the following chapter see also Stückelberger, Christoph, Who Dies First? Who is Sacrificed First? Ethical Aspects of Climate Justice, in God, Creation and Climate change. Spiritual and Ethical Perspectives, ed. By Karen L. Bloomquist on behalf of The Lutheran World Federation, Geneva, LWF/Lutheran University Press, 2009, 47-63.

2. *Performance-related justice* means that every person and institution involved in human activities (such as the production, trade, sale or disposal of a product or service) must be given their due (e.g. salary) on the basis of their performance. This means related to climate justice: An activity which reduces greenhouse gas emissions is a good performance and should be rewarded respectively.
3. *Needs-related justice* means that basic human needs and rights (i.e. the subsistence minimum, a life in dignity and the right to food and water) should be taken into consideration for every person and institution. This means related to climate justice: Every person has the right to survive and be supported to manage adaptation to climate change independent from his/her capability and performance.
4. *Distributive justice* ensures that access to resources, goods and services is distributed fairly, taking into account the balance of capability, performance and needs. This means related to climate justice: Financial or other resources to decrease negative effects of climate warming on human life should be distributed first according to needs, but also taking into account performance and capabilities so that the overall disparity between people becomes smaller and not larger.
5. *Justice as equal treatment* means that all human beings have the same human rights and the right to equal treatment independent of capabilities, performance, needs, origin and characteristics (such as gender, colour, race, religion). This means related to climate justice: Climate related measures for prevention, mitigation and adaptation have to respect equal treatment of all people affected.
6. *Intergenerational justice* means a sustainable use and fair distribution of resources, as well as a reduction in and a fair distribution of ecological burdens between generations living today and future generations. This means related to climate justice: Decisions have to respect the needs for a life in dignity of future generations which have the same right of equal treatment as generations living today.
7. *Participatory justice* means the fair, appropriate participation in decision-making of all those affected by a problem and by decisions. This means related to climate justice: Decisions on climate related policies should be taken by democratic participation of the population and its representatives on the different levels, from local to global.
8. *Procedural justice* means calculable, constitutional (publicly and privately) regulated, transparent, corruption-free and thus fair procedures in all interactions. This means related to climate justice: The decisions related to climate warming and its implementations (such as access to financial resources, climate related taxes or incentives, media information) have to follow the mentioned criteria of procedural justice.

9. *Functional justice* means a fair and optimal relation between needs of persons and structural necessities of institutions, processes and resources. It is a question of functional justice, where, when and to whom to allocate how much and which kind of resources. This means related to climate justice: Functional and organisational aspects of allocation and distribution of limited resources is key for a fair solution of climate challenges.
10. *Punitive Justice* means the punishment of actions which violate justice. The goal is retaliation, determent or overcoming of existing injustice. This means related to climate justice: Where climate justice is violated – and this violation is ethically as severe as other injustices – , measures of punitive justice have to be taken into account as for other injustices.
11. *Transitional justice* means a provisional justice in transformation societies where ordinary, regular institutions and procedures may be absent or in reconstruction (e.g. in post war situations or after a revolutionary change of the system in a society). This means related to climate justice: in exceptional situations such as after emergencies, accelerated procedures for decisions and aid and exceptional instruments such as amnesty (which is not impunity) may be required and ethically justified.
12. *Restorative Justice* means a common solution of the perpetrator/s and the victim/s in order to restore justice from occurred injustice by compensation, reparation and/or reconciliation. This means related to climate justice: Climate injustice takes place daily because those who suffer most from the negative effects of climate change are not those who cause it. Decisive and courageous measures of the polluters, especially the industrialised countries, would be measures of restorative justice.
13. *Transformative Justice* means a process of transformation and renewal of reality towards justice, especially to overcome situations of injustice. It is a creative and ongoing process which goes beyond punitive or restorative justice. This means related to climate justice: Climate justice is not a single decision or act, but rather an ongoing process which leads to a fundamental transformation of societies in their relations, use of natural resources, distribution of goods and services and sustainable policies. Climate justice is not the result of one or the other isolated action but a holistic process of transformation.
14. *On Time Justice* means that justice is bound to the right time of decision and action (in German: zeitgerechte Entscheide, Zeit-Gerechtigkeit, in Greek: kairos, the right moment). If a measure is taken too late and the patient or victim dies, injustice happened and it is difficult to restore justice. This means related to climate justice: to prevent and mitigate further climate victims, measures have to be taken on time. The fast climate warming needs steps on time, now. The time factor is one of the most important to implement climate justice.

Some of these fourteen aspects of climate justice are in tension to others and it is

difficult to implement all of them at the same time. The goal of the list is to be aware that climate justice is not an empty or arbitrary new slogan, but a fundamental value with concrete and challenging content.

Ethical Guidelines for Climate Justice

How can these aspects of climate justice help to find ethical guidelines for the crucial question in politics, economy, civil society and religious institutions: *How to invest and distribute limited resources for the threefold duty of prevention, mitigation and adaptation related to climate change in order to minimize the number of victims?*

First of all, guidelines can only indicate a general direction. For concrete decisions, the respective situation has to be analyzed and the guidelines have to be interpreted and adapted according to the concrete situation. In many situations, conflicts between values exist and need a prioritization, which can ethically be solved by preferential rules (if case A, then priority X, if case B, then priority Y). The following guidelines should help to prioritize and to solve conflicts between different values. Such conflicts are the criteria for benefit sharing, for burden sharing, for power sharing or for space sharing.⁵

1. *Volume of resources.* Before looking for preferential rules for the operation of limited resources for climate justice, the first effort must be to increase the overall amount of resources available. Resources available to solve a problem reflect the priority given to the problem and the ethical values behind this prioritization. Since climate change affects the whole humankind including future generations and non human beings, high priority has to be given to this challenge. The volume of resources is composed of financial resources from governments, private donations, profitable business activities, but also non financial resources such as human, organizational, intellectual and religious resources. In order to substantially increase financial resources, a global climate fund as proposed by the Swiss Government and others, is one important instrument. The taxation of CO₂ emissions reduces the emission and generates funds for mitigation and adaptation.
2. *Prevention* aims at avoiding climate victims by early actions. Prevention respects the goal to minimize the number of victims and supports inter-generational justice, i.e. to avoid future victims. It has – like mitigation – ethically speaking a higher priority than adaptation because it avoids instead of curing victims or minimizing its number. The measures are more efficient because the costs are lower than for adaptation.

⁵ See Stueckelberger, Christoph (1997), *Umwelt und Entwicklung. Eine soziaethische Orientierung*, Stuttgart: Kohlhammer Verlag, 30-33 (case study on the UNCED climate convention). Chinese Edition, Beijing, October 2008.

3. *Mitigation* aims at reducing already existing negative effects and at slowing down the development of such effects and the number of victims of climate change. There is no doubt that mitigation becomes more and more important since climate change already happens.
4. *Adaptation* aims at accepting new climate conditions and adapt the own living place (including eventual need to emigrate or accept immigration), lifestyle, production, technologies, spiritual roots, nonviolent ways of conflict management etc.). Justice related to capability, performance and needs will be re-interpreted: Capability will more and more have to include the capability to adapt to the new challenges. The capability to adapt will be rated as a better performance. The needs will include as now basic human needs, but will in addition include the need to adaptability. *Instruments* for prevention, mitigation and adaption are often *interlinked*. To plant trees or to reduce CO₂ emissions by reducing fossil energy consumption, are preventive measures and help at the same time for mitigation and adaption. The danger is, that the international community invests more and more in curative measures such as emergency aid and has less and less resources for preventive measures such as long-term development cooperation and technological innovation in the service of climate prevention.
5. *The Polluters-Pay-Principle* means that the polluter has to pay the costs of the damage caused by his behavior/action. The principle is broadly accepted in environmental ethics and it is put into practice in many countries in specific areas such as waste management, but in climate responsibilities it is not yet implemented, for the obvious reason that the polluters who emit CO₂ and other climate relevant emissions, fear heavy financial burdens. The (climate related) taxes on fossil energy have to be multiplied if the principle is taken seriously.
6. *The Capability-to-Contribute-Principle* means that responsibility is not only related to the causer of pollution but also to the economic and structural capability to contribute to a solution. This capability includes not only financial payments, but also the contribution by scientific research, structural and political support, spiritual orientation and encouragement etc. Responsibility is not only related to direct causes of once action, but also once capability to solve a problem. A medical doctor in an airplane is obliged and responsible to help a patient independent of his/her relationship to him/her.
The *Responsibility and Capability Index RCI*⁶ is a very helpful measuring

6 It is developed as part of the Greenhouse Development Rights GDR, mainly developed in Great Britain by Development Agencies such as Christian Aid, supported by others like Bread for all/Swiss Catholic Lenten Fund in Switzerland. See www.ecoequity.org/GDRs.

instrument, which corresponds to the Polluters-Pay-Principle as well as the Capability-to-Contribute-Principle. The RCI combines the cumulated CO₂ emissions of a country and its purchasing power parity and the distribution of wealth. The industrialized countries therefore have the biggest share to pay, but developing and transition countries with purchasing power and wealthy elite are called to contribute accordingly. This country index shows a way of climate burden sharing. It is an ethically serious effort to make climate justice measurable and politically operational.

7. *The combination of positive and negative sanctions.* Justice in general as well as climate justice can be strengthened by positive sanctions (such as incentives, repayments, awards, facilitated access to services etc.) and negative sanctions (taxes and other burdens, punitive measures, court). Positive sanctions are ethically preferable, because they encourage the right behavior. But negative sanctions to establish punitive justice are often also necessary, especially to change the behavior of “black sheep” who do not react on positive sanctions. Both mechanisms presuppose that CO₂ emissions are seen as a severe, unethical misbehavior.
8. *Efficiency and Transparency* are key factors of good stewardship using limited resources. The efficient use of resources (energy, capital, organizational structures, intellectual creativity etc.) allows reducing costs, helping more people and saving more lives. It is an expression of responsibility and sustainability for future generations. Transparency supports the efficient use of limited resources by reducing corruption, abuse and wrong investments. Transparency and efficiency are important aspects of procedural justice.
9. *Market related instruments.* The international free market mechanism contributes substantially to general economic growth and to global interaction and peace. Programs like “Financing for Climate - Innovative Solutions and New Markets”⁷ tries to win the private sector to take climate change as business opportunity. Without private investments, climate-related funding will never be enough. But market related instruments alone could not and cannot solve three major problems and made them even more severe: poverty eradication, fair distribution and climate stabilization. Climate change today can be seen as the biggest market failure in human history.⁸ Can the market then be a chance to solve it? From an ethical point of view, the answer can be found in the criteria for climate justice: if and where ever

7 Title of a Conference of the State Secretariat for Economic Affairs of the Swiss Government, the International Finance Corporation IFC and Swiss Re, 11-12 September 2008 in Zurich.

8 This is the view of the Stern Report: *Stern Review on the Economics of Climate Change*, HM Treasury, UK 2006. www.hm-treasury.gov.uk/independent_reviews.

the market mechanism strengthens the different above mentioned forms of climate justice, it has to be supported. If and where ever it weakens or violates the different forms of climate justice, the free market has to be replaced/accompanied by binding corrective instruments such as social and environmental laws regulating the markets. Many encouraging examples show that companies gain profit and reputation from activities to reduce climate relevant emissions⁹. In this ethical perspective, the trading of CO₂ certificates is one specific form of positive and negative sanctions, based on the market mechanism. As long as it really contributes to worldwide CO₂ emissions and climate justice, it is ethically positive. But if it is abused to circumvent legal restrictions in a country, to avoid reorientation of activities towards climate justice and only to get moral “purification” and indulgence, it has ethically to be refused.

10. *Care for the weakest*. “Solidarity with the victims of climate change” was the programmatic title of an important statement of the World Council of Churches in 2002.¹⁰ To care for the most vulnerable groups of people in cases of emergency corresponds to the human ethos in many cultures and especially in the Judeo-Christian value system. “The option for the poor” as formulated in the liberation theology is an expression of it. To care for the victims and the weakest among them offers a guideline for decision making also related to climate justice. But in concrete, it opens at the same time a lot of questions: Who are the victims? Who are the weakest among them? The children, women on Fidji Island who lose their agricultural land or the elderly people in a suburb of Paris dying from heat? And does justice as equal treatment not require that all people in danger get the same treatment? And since there are much more people who need support for mitigation and adaptation than actual resources are available, what are the additional selection criteria? Political preferences and calculations which is in fact often the case? Economic conditionality? Or where there is the greatest chance that empowerment of weak groups of people lead to efficient solutions and use of scarce means?

The first step is to honestly recognize that support is often not given to the weakest even if one accepts it as ethical criteria. A second step is to look for preferential rules in case that some of the above mentioned aspects of justice compete with each other. In may sound provocative: To give priority to the weakest may meet the needs-related justice, but is not in each case the most ethical decision because it does not recognize other aspects of jus-

9 Swiss Re (2008a): *Pioneering Climate Solutions*, Zurich. Swiss Re (2008b), *Corporate Responsibility Report*. Committed to sustainable value creation, Zurich.

10 *Solidarity with the Victims of Climate Change, Reflections on the World Council of Churches’ Response to Climate Change*, January and November 2002, Geneva, 25f.

tice. In some cases it may save more lives if priority is given to people with an efficient, well performing way to use the limited resources and therefore can then support others to survive. Therefore, *an ethical preferential rule* may say: In general, priority is given to the weakest. In case where somebody or a group of people who do not belong to the weakest, but to those who better perform and are better capable using limited resources to save more people, priority may be given to them. The justification of this preferential rule is the number of lives to be finally saved.

11. *Institutionalized solidarity*: Solidarity needs voluntary care and charity activities. Solidarity has at the same time to be implemented by binding institutionalized instruments. New forms of climate related insurances are forms of institutionalized solidarity. Drought or flood insurances for small farmers in poor countries similar to and combined with microcredit are an example for it.¹¹
12. *Urgent legislation*: The speed of climate change shows that binding measures for prevention, mitigation and adaptation have to be taken much faster than in the last twenty years. The reasons for the too slow process in the past have been the lack of political will, but also slow democratic decision making processes. In Switzerland, the parliament seeks since more than ten years a compromise for a CO₂-legislation. On-Time-Justice is crucial in order to reduce the number of victims. Urgency legislation by governments on CO₂-reduction measures may be necessary and ethically justified even if it can limit the participatory justice. In emergency situations, the rights to food, water and survival have priority over the right to participation in decision making (and participating in avoiding timely decisions).

Global and Contextual Tax Justice

Tax income is crucial for every state in order to fulfill its own tasks, as well as the tasks for climate prevention, mitigation and adaptation. Increase in tax income is one of the core goals of the international community¹² for finding new sources to finance development, in addition to development related trade and development aid. The World Alliance of Reformed Churches at its 24th General Council in Accra 2004 in its Report of the Public Issues Committee adopt-

11 See the recommendations of the Round Table on „Are the Right Risks Insured?“ at the Global Humanitarian Forum Geneva, 24 June 2008, www.ghf-ge.org.

12 As defined at the UN Conference on Financing Development in Monterrey/Mexico in March 2002. See also Boadway, Robin, National Taxation, Fiscal Federalism and Global Taxation, in Atkinson, A.B. (ed.), *New Sources of Development Finance*, New York, Oxford University Press, 2005, 210-237.

ed the following recommendation to its member churches: “As our commitment on confessing our faith in the face of economic injustice and ecological destruction, ... WARC recommends ...: 2.2 Support governments to achieve fair and sufficient taxes in order to guarantee basic needs and a life of dignity for the population, to reach the UN Millennium Development Goals and to fulfil the obligation of providing social welfare. ... 2.6 Enforce present and create new laws against all forms of criminal economic activity such as ... tax evasion, money laundering and illegal employment, which deny the rights of the poor.”¹³

Tax justice is the key value of tax ethics. As outlined below, the following principles can be seen as global principles of tax justice while respecting that their implementation still allows contextual and diversified tax systems and even to some extent a tax competition between states or regions. Tax ethics is and has to be implemented in various tax principles as they are known, or should be further developed in tax laws:

1. The *Principle of Generalness*: every taxable citizen is obliged to pay taxes as an expression of equal treatment and *justice as equality*.
2. The *Principle of Capability*: Tax payers should be charged on the basis of their economic capability and performance. This is an expression of *capability-related justice* and performance-related justice. Wealthy persons should contribute more to common public tasks than poor persons, not only in absolute, but also in relative terms.
3. The *Principle of Regularity*: the state cannot take taxes in an arbitrary way, but has to tax based on predictability which is part of *procedural justice*.
4. The *Principle of Redistribution*: Progression in taxing income or revenue leads to a relative higher taxation of wealthy than of poor people. This is ethically justified because the needy, such as people without food or education, need support. Needs-related justice means distributive justice, also called social justice, which respects differences in performance while balancing the needs of those who cannot perform in the same way such as elderly, poor, handicapped and sick.
5. The *Principle of Coherence*: The different forms of taxes and policies have to be coherent and non-contradictory. It would be incoherent to reduce, e.g. income taxes for poor people, and at the same time charge them with additional consumer taxes. Coherence is an ethical requirement for credibility and trust as well as for a holistic implementation of a set of values. Nevertheless, full coherence is never possible because politics is always a battle field of balancing conflicts of interests, compromises and contradictions.

13 Accra 2004. Proceedings of the 24th General Council of the World Alliance of Reformed Churches, Geneva 2005, 199-201.

6. The *Principle of Transparency*: The tax rules including tax exemption must be transparent and implemented in a transparent way to everybody. Secret agreements, e.g. with wealthy individuals or companies, violate this principle. Transparency is part of fair procedures and therefore of procedural justice.
7. The *Principle of Practicability*: A tax must be structured in a way that the tax payers and the state administration can handle its implementation in an efficient and transparent way without too many costly administrative burdens. Practicability is a requirement for functional justice as the way to use limited financial and organizational resources in the most efficient way.
8. The *Principle of Democracy*: Participation means that tax payers indirectly (as electorate electing the parliament as in most countries), or directly (directly voting on the tax system as in Switzerland) participate in fixing the level and kind of taxes to be paid. Without it, the tax payers identify themselves much less with the tax and tend more to tax evasion. This is an expression of participatory justice.
9. The *Principle of Intergenerational Justice*: The level of taxes should in principle be sufficient in order to cover the expenses of the state. Huge debt burdens, as they are accumulated in many countries, violate the intergenerational justice because future generations have to pay the bill for overconsumption and expenses of present generations. Intergenerational justice leads to greater sustainability.
10. *The Principle of Fair Tax Competition and Harmonization*: Tax competition within and between countries is part of market competition. Free markets need some tax competition for an efficient allocation of resources. However, tax competition often becomes very destructive because it lowers tax income to an extent that public entities cannot finance their duties. Tax competition is unfair if it is not based on performance in terms of better conditions and delivery of services, but on protectionism or in-transparent laws such as tax havens, variations of offshore banking or banking secretcies. Unfair tax competition encourages tax evasion and tax fraud. Tax harmonization and transparency on tax income is therefore needed to a certain extent. The balance of tax competition and tax harmonization is a requirement for tax justice.
11. *The Principle of Fair Punishment*: As in every sector of life, violations of ethical principles, laws and rules happen. Therefore, criminal law is an integral part of the instruments needed to increase justice, as in the case of *ppunitive justice*. In many societies, tax evasion is almost seen as a legal game and as a gentlemen's behaviour. But tax evasion deprives public institutions of their means. Protest against unfair tax systems needs - at least in democratic societies – active resistance within democratic means. Tax

evasion as a form of passive resistance is, in this context, unethical. Punitive tax justice needs equal treatment of tax payers, which in turn needs court systems which are not corrupt. Corruption is cancer which undermines punitive tax justice.

12. The *Principle of Restoration*: Tax amnesty is a means for states to recover part of the tax evasion. It contradicts the principle of fair punishment but is often legitimized by the governments' need for additional income and can be seen as an attempt for (at least partial) *restorative justice*. The goal then justifies the means. In the conflict of interests between punitive tax justice and distributive tax justice, tax amnesty is not in any case to be ethically condemned, but to a greater extent depends on the conditions, forms and frequency of tax amnesty.
13. The *Principle of Transformation*: The perception of tax justice evolves as all value systems do. It can then happen that an activity such as tax evasion or black money transfer is more or less accepted and then, by international developments such as in the OECD countries, is seen as a heavily illegal crime. Thus, a grey zone of insecurity about what is just or unjust is opened. In such situations, for reasons of procedural justice, it is often necessary to define and allow a transition period for *transitional justice* which can lead to *transformative justice* with a new level of international tax justice.

Tax Justice also with Developing and Emerging Countries

The above principles first of all have to be applied *within* sovereign states which have the power and authority for tax collection. But they also have to be applied *between* sovereign states. In a globalized world, the states are not isolated but interdependent in manifold ways. Therefore, tax justice is an intergovernmental, regional and global topic. It is a hot issue because tax evasion is still growing within the liberalized financial markets. The efforts to decrease tax evasion are, since the 2007/2008 global financial crisis, strongly increased because states urgently need more tax income to cover their financial engagement to overcome the crisis.

Every state has the right to tax its taxable population in order to provide services to this population and the global community. This is the first principle of tax justice. It includes the ethical obligation of states to support each other in tax collection by not protecting tax evasion.¹⁴ The principle is based on the universally accepted ethical Golden Rule of reciprocity, whereby we should do and give

14 The following is based on the article Stückelberger, Christoph, Weissgeld-Strategie kann unseren Finanzplatz stärken. Die Schweiz sollte über Europa hinausblicken, Neue Zürcher Zeitung am Sonntag, 21 February 2010, Hintergrund.

to others what we ourselves expect from them. This applies to individuals as well as to states and inter-state relations or to companies.

This principle of tax justice applies not only with respect to countries such as the USA or Germany that can exert pressure on Switzerland, but globally, including also developing, transition and emerging countries. In its favour are not only ethical considerations but also political and economic benefits for countries like Switzerland which rather fear economic losses with a white money strategy.

Ethical necessity: poverty reduction. Economically weak states rely on tax revenues even more than economically powerful countries. International efforts to find new ways to finance development have stressed this repeatedly. In addition to increased trade and aid, developing countries need just and fair taxation if they are to reduce poverty and reach the Millennium Development Goals. The annual revenue loss to developing countries because of tax flight and tax evasion is estimated to amount to 150-250 billion Swiss francs a year, which significantly exceeds the total official development assistance ODA of all the industrialized countries (100 billion per year)! Special cases such as dictatorships aside, we may recognize many developing countries governed by the rule of law where the principle of tax justice is applicable. These also need their tax systems strengthened. Switzerland should conclude more double-taxation agreements with developing countries.

Political advantage: Cooperation with the EU. In the actual situation, Switzerland in Europe seems to have its back to the wall. But precisely a pro-active initiative directed beyond Europe could offer Switzerland the possibility of new coalitions. The European Commission intends to start a dialogue with developing countries to strengthen their tax systems and combat tax evasion. The “International Tax Compact” (ITC) – a new initiative of the German Federal Ministry for Economic Cooperation and Development (BMZ) – is beginning to coordinate partners in development from industrialized and developing countries. They also take up the concerns of the International “Tax Justice Network” (TJN) of the private development agencies. The Swiss Foreign Ministry, through the Swiss Agency for Development and Cooperation (DEZA), should play a part in such initiatives. In this way, Switzerland will be not an opponent but a team player with the EU!

Economic advantage: Any shortfall in Switzerland caused by less untaxed wealth from developing countries would be offset in the medium term by credible and sustainable trade relations with important Asian countries, for example, and by removing the threat to the reputation of Swiss companies and corporations. The firm position of Switzerland in the fight against money-laundering has earned her respect and economic benefits. The same can happen with a new white money strategy in the relationship with all countries.

Global white money strategy: This will still allow for tax competition based on locational advantages between and within states, while at the same time respecting

the legitimate claims for tax revenues of other states. It creates a level playing field, based on “competition on the merits”, not based on protecting tax evasion. It includes improving the rules of transfer pricing (in which country internationally active companies pay taxes for which part of their profit) towards tax equity. Switzerland’s financial centre may emerge stronger from a global white money policy, thanks to its locational advantages of political stability, its virtues of high professionalism and efficiency, and an innovative service that combines asset management with the philanthropic concerns of investors, oriented to the common good.

Promotion of voluntary charitable giving: Some tax evaders are generous philanthropists. They lack confidence in the spending policies of the country in which they are liable for tax. But many are quite willing to contribute to the common good, for example through foundations abroad. It is certainly not a question of justifying tax evasion ethically, but of giving a positive signal by admitting generously tax deductions for charitable donations and the creation of foundations. Such tax deductibility for philanthropic activities should be more recognized across borders. This will promote significant voluntary contributions for the common good

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