

Different But Same

The Role of the Inheritance Tax and
Narratives of the Economic Elites for

Wealth Inequality

in OECD States: The Cases of

Mexico and Germany

A Dissertation

Submitted in Partial Fulfilment of the Requirements
for the Degree of Dr. phil.
to the Department of Political and Social Sciences
of Freie Universität Berlin

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Berlin, 2023

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Date of defense: 10/09/2023

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Abstract

Economic elites are powerful actors. Their influence on shaping the agenda, policy outcomes, and the public's preference has been empirically revealed. In the study of international political economy, however, these actors have not been integrated in the analysis of wealth inequality – which represents one of the most pressing problems of our time. And although we experience extreme levels of wealth inequality with ongoing consolidations of *inheritance societies*, the debate about a potentially powerful tool to reverse the trend – the inheritance tax – seems small and insignificant. In my PhD project I contribute to filling these research gaps in an intertwined manner by comparing Mexico and Germany. As different as Mexico and Germany are, they share an important commonality: At present, they have among the highest and nearly the same levels of wealth inequality – belonging to the most unequal democracies in the world and being rather inheritance societies than meritocracies. How have narratives and legal regulations of inheritance taxes evolved? And what are the narratives of elites towards wealth inequality and the inheritance tax? In a first step, I compare the historical development of inheritance regulations and its narratives in order to present the *repertoires of narratives* (RON). Once the scene is set, I present the centerpiece of my project: A narrative analysis of 38 semi-structured interviews with the economic elites, defined as CEOs, CFOs, board members, presidents and/or vice-presidents of the biggest companies in their countries. The elites' ideas, norms, and values, captured in their narratives on the topic of wealth inequality, have firstly, an explanatory power for preferences over design of public revenues, and secondly, they allow breaking through the inadequate yet extensive homogenous treatment of the group.

Keywords: Economic elites, inheritance tax, wealth inequality, narratives

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List of abbreviations

<i>Abbreviation</i>	<i>Definition</i>
4T	Cuarta Transformación
AfD	Alternative für Deutschland
AMC	Asociación Mexicana de Cultura
ASU	Arbeitsgemeinschaft Selbständiger Unternehmer
BaWü	Baden-Württemberg
BDI	Bundesverband der Deutschen Industrie
BDK	Bundesdelegiertenkonferenz
BEPD	Base erosion and profit shifting
BGBI	Bundesgesetzblatt
BR	Deutscher Bundesrat
BT	Deutscher Bundestag
BVerfG	Bundesverfassungsgericht
C21	Capital in the Twenty-First Century
CCE	Consejo Coordinador Empresarial
CDU	Christlich Demokratische Union
CEO	Chief executive officer
CEPAL	Comisión Económica para América Latina y el Caribe
CFO	Chief financial officer
CFE	Comisión Federal de Electricidad
CMN	Consejo Mexicano de Negocios
CONEVAL	Consejo Nacional de Evaluación de la Política de Desarrollo Social
CTO	Chief technology officer
CONCAMIN	Confederación Nacional de Cámaras Industriales
CONCANACO	Confederación Nacional de Cámaras de Comercio
COPARMEX	Confederación Patronal de la República Mexicana
CSU	Christlich Soziale Union
DAX	Deutscher Aktienindex
DDP	Deutsche Demokratische Partei
DIW	Deutsches Institut für Wirtschaftsforschung
DVP	Deutsche Volkspartei
ErbStG	Erbschaftsteuergesetz
FDP	Freie Demokratische Partei
FES	Friedrich-Ebert-Stiftung
FRG	Federal Republic of Germany
G20	The Group of 20, forum for international economic cooperation
GB	Great Britain
GDP	Gross domestic product
GDR	German Democratic Republic

GmbH	Gesellschaft mit beschränkter Haftung
Greens	Bündnis 90/Die Grünen
HNWI	High Net Wealthy Individuals
ibid.	In the same source
IFP	Impuesto federal sobre la propiedad
IMF	International Monetary Fund
INSM	Initiative Neue Soziale Marktwirtschaft
i.o.	In the original
ISR	Impuesto sobre la renta
KKR	Kohlberg Kravis Roberts
LAG	Lastenausgleichsgesetz
LSE	London School of Economics
MC	Magna Carta
MNE	Multinational enterprise
MoEB	Member of executive board
Morena	Movimiento de Regeneración Nacional
MP	Minister president
MPS	Mont Pèlerin Society
NV	Nationalversammlung
OAS	Organization of American States
OECD	Organisation for Economic Co-operation and Development
P	President
PAN	Partido Acción Nacional
Pemex	Petróleos Mexicanos
PRI	Partido Revolucionario Institucional
RGBI	Reichsgesetzblatt
RON	Repertoire of narratives
SDG	Sustainable Development Goal
SH	Schleswig-Holstein
SOEP	Sozio-Ökonomisches Panel
SPD	Sozialdemokratische Partei Deutschlands
SVR	Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung
SZ	Süddeutsche Zeitung
UK	United Kingdom
UN	United Nations
UNRISD	United Nations Research Institute for Social Development
US	United States of America
USPD	Unabhängige Sozialdemokratische Partei Deutschlands
WID	World Inequality Database
WIR	World Inequality Report
Z	Zentrum

Acknowledgements

Thank you, Marianne Braig. You shifted my focus within the realm of inequality towards inheritance. Our conversations have sharpened my focus, given me clarity, and lots of energy – you are simply the best. Thank you, Philipp Lepenies, for our exchanges, time after time; I am immensely excited about our future collaboration. I would like to thank the review board, Gülay Çağlar, Francisco Robles-Rivera, and Bettina Schorr. My special thanks go to my supervisor in Mexico, Carlos Alba Vega, and to my uncle Miguel Messmacher Linartas. Miguel, thank you for connecting me with so many interesting people, always taking time to answer my questions, engage in discussions, and to play chess. You won the last game; I hope our bet about the paradigm shift in the next ten years will be won by me. I owe debts of gratitude to the many scholars, colleagues, and friends who accompanied me on this journey on which end I may present this thesis. With apologies to anyone I have forgotten, my heartfelt thanks go to: Alice Krozer, Stefan Gosepath, Isabel Winnwa, Matthias Hahn, Katja Basinkevich, Isaac Würmann, Cordula Hamschmidt, Julian Hartwig, Hans-Jürgen Puhle, Lizbeth Martínez Martínez, Katja Hujo, Maggie Carter, Julián Cárdenas, Tilo Jung, Annalena Baerbock, Britta Duille, Julia Jirmann, Marlene Engelhorn, Barbara Blaha, Martin Schürz, Pirmin Fessler, Markus Marterbauer, Achim Truger, Thomas Fricke, Tania Rabasa Kovacs, Karen Kovacs, René Freudenberg, Carlos García Moreno, Gerardo Esquivel, Carlos Salazar Lomelín, Nikolai Paloni. Christian W. Martin, you supported and encouraged me like no other in my bachelor's and were the first to even talk about me doing a PhD. A huge thank you goes to my team at *ungleichheit.info*, Marcos Sánchez, Michał Gabrielewicz, especially to Luzie Bayreuther – you punctuate my words with the most meaningful and beautiful graphics. The thesis would not have been possible without my 60 interview partners. I would like to thank each and every one of them; extended thanks go to all those who put me in touch with additional stakeholders. As different as our standpoints are, the conversations were always marked by respect and at eye level. Thank you. I feel special gratitude for *SCRIPTS*, the cradle of numerous first encounters, collaborations, creativity, and interdisciplinary. Without my full scholarship of the *Cusanuswerk*, it would not have been possible for me to engage in this kind of research. I am extremely grateful for this privilege and support. I am particularly grateful for our alliance partners of *ungleichheit.info: Netzwerk Steuergerechtigkeit, Tax Me Now, FES, DGB, Ver.di, Finanzwende e.V.*. Thanks also to the *Forum New Economy* and *Momentum Institut*.

Love also to my family, especially to my mother Ewa Collberg and my father Jacek Linartas, to Kevin Linartas, Jacky Lohr and the coolest dude of all, Fiete. My grandparents Alicja and Alek Loenhardt, Irenka and Heniu Guziątek. To Lea Lammers, mi hermosa, and Tim Kraehnke, who always liked to put me to the test and coached my discipline. Thank you to everyone who stood by my side during these four years. Four years of PhD mean a journey into unknown territory, unknown ups and downs. My companions have made it a tour of highs and quickly escorted me out of any low, no matter how small. Thank you for my feeling of connection to you and to the subject. My work and my entire doctoral period are an expression that there is such a thing as the common, the society. I am grateful to those who share and spread this view.

*What, then, can we expect in the near term?
Absent a secure hegemony, we face an unstable
interregnum and the continuation of the political crisis.
In this situation, the words of Gramsci ring true:
"The old is dying and the new cannot be born."
– Nancy Fraser (2019)*

Preface

My dissertation is primarily about the narratives of the Mexican and German economic elite on the inheritance tax. I aimed at learning about these through interviews with key players from the business community. This project was only conceivable and realizable through my privileges: My uncle Miguel Messmacher Linartas is former Deputy Minister of Finance of Mexico, he is well connected and has been my greatest supporter beyond measure in finding interesting interview partners. In Germany, at the beginning of my dissertation, I worked for Annalena Baerbock, now Foreign Minister of the Federal Republic of Germany, then Federal Chairwoman of *Bündnis 90/Die Grünen* (the Greens). Without these connections, my work would not have been possible, I would not have been able to interview so many and high-ranking actors of the Mexican and German economic elite. I also received major support from my total of 61 interviewees, the snowball system worked marvelously. But without my privileged start position, the ball would not have started rolling.

Towards the end of my fieldwork, it occurred to me that I interviewed more men named Carlos in Mexico than I interviewed women altogether. My uncle Miguel connected me with someone who ... for the sake of anonymity, I will call him Carlos II, as my first Carlos contact – truly a Carlos – was my supervisor in Mexico, Professor Carlos Alba Vega. Carlos II and I met in a café in Coyoacán in Mexico City. He has a degree in economics and is very well connected. We enjoyed the conversation, and I am very grateful to him for putting me in touch with “another” Carlos – I will call him Carlos III. After we had an hour-long interview, Carlos III expressed how much he enjoyed discussing with me. “That wasn’t a discussion, Carlos III, that was an interview. I have a whole different perspective on things than you do.” On my next research trip to Mexico, we would meet again, this time for discussion. Details are changed, but this is how it had happened when I met Carlos III for the second time.

We met at his apartment. Whenever Carlos III is in Mexico City, he resides in the Polanco district in one of the city's best hotels, on the 19th floor. However, he does not pay per night. He owns the apartment. I sit down on the couch and in front of me is, according to Carlos III, “the best whiskey in the world”, while to my left hangs a real Rafael Coronel. Coronel is to Mexico what Andy Warhol is to the US. I like Coronel. I like whiskey. And I like the panoramic view of the whole city. So we are having a discussion. And the fact that we would be diametrically opposed to each other on many points does not come as a surprise. It is fun, we listen to each other and respond to each other's arguments. At one point I interject. “You see it that way because you're rich.”

Carlos III: “I swear, I don't want to have more. My way of life is much simpler. Maybe you say, how can it be simple if you have...”

Linartas: “Carlos III, please, that's not true. It's an incredible apartment. And of course you are rich. And I have nothing against the rich and I have nothing against inequality in general. But we're talking about...”

Carlos III: "I have little."¹

In the elevator down, I would bring up the point again. "Yes, you are rich." I had several encounters like the one I had with Carlos III. I conducted interviews at golf courses, clubhouses, was invited to events, dinners, and bars. I would meet several of my interviewees more often, including Carlos IV. The two of us also have different views. I can relate to many of his positions; often we would focus on different things and have "aha" moments. Carlos IV gave me many ideas and also further contacts, including with Carlos V. That I would be able to talk to Carlos V was a surprise that I had not dared hope for: I know that Carlos V does not give many interviews. The fact that I was now allowed to conduct one with him for my doctoral thesis meant a lot to me. And I found it exciting to walk past security down the long corridor to the office and see all the collectors' items related to soccer and, in addition to the photos with his family, those with the great stars of our time. Presidents, professional athletes, rock legends – he met them all. Now we would talk about inequality and taxes.

In Germany, back in 2019, I had the great fortune to work for Annalena Baerbock. At the time, Annalena was the federal chairwoman of the Greens. In the course of my work, she would advance to become the Greens' first candidate for chancellor. When she met with Joe Kaeser, at the time CEO of Siemens, in preparation for an appointment, I saw my chance. In the German *Bundestag*, visitors must walk through the high walls with an escort. I would accompany Joe Kaeser from the office, across the elevator, to the exit. I approached him about the fact that I had recently read his interview in which he shared his concerns about the division of society (Kaeser 2020). I would deal with exactly this in my doctoral thesis. And thus I wondered if he would grant me half an hour to get his take on things. Before he got into the car, I got his verbal promise.

As a staff member in the *Bundestag* and by request, I was allowed to attend the Economic Advisory Board of the Green parliamentary group – a body created by Kerstin Andreae on October 15, 2018, to facilitate an exchange between the Green parliamentary group in the *Bundestag* and key representatives from the business community.² In the panel I met said business representatives, some of whom I would interview over time. But since the corona pandemic made any face-to-face meetings impossible as of March 2020, I would conduct most of my interviews with German stakeholders online. My interviewees were aware that I often disagreed with them politically. But that was irrelevant. The interviews served my scholarly argument on inequality and inheritance taxes. As different as our positions were, politically and in terms of financial and tax policy, it was a lot of

¹ Carlos III: "Te lo juro que no, yo no quiero tener más. Mi manera de vida es bastante más simple. A lo mejor dices, cómo va a ser simple si tienes..."

Linartas: "Carlos III, por favor, eso no es cierto. Es un apartamento increíble. Y claro que eres rico. Y no tengo nada en contra de ricos y no tengo nada en contra de desigualdad en general. Pero estamos hablando de..."

Carlos III: "Yo soy así de chiquito."

² "The advisory board consists of a fixed circle of people who meet two to three times a year for an open exchange. The agenda is developed jointly in advance" (Grüne BTF 2018). After Andreae became managing director of the German Association of Energy and Water Industries (BDEW; Spiegel 2019), Danyal Bayaz took over – before he became Finance Minister in Baden-Württemberg in May 2021 (Baden-Württemberg 2023). On February 27, 2023, the advisory board was reopened, headed by Sandra Detzer, spokeswoman for economic policy of the Green parliamentary group in the BT (Grüne BTF 2023).

fun and interesting to interview the German economic elite. To learn about their perspectives on inequality, the state, and taxes, how their extremely heterogeneous attitudes related to each other in the broader picture, where they came from biographically. These interviews, even if they took place online, were not only revealing but truly a pleasure.

The calendars of my interviewees are highly busy. I am all the more grateful to them for accepting my interview requests. I greatly appreciate the time and openness of my interview partners, and how they further helped me to get in contact with more actors. Without this support and trust in my careful handling of the interviews in anonymous form, I would not have been able to write this thesis. Thank you. Even though my analysis of the interviews is critical, I sincerely hope that it does not alienate, but rather – as was the case with Carlos – provides a basis for further exchange. Gladly over a whiskey.

1 Introduction: Wealth Inequality – Inheritances in the Lead Role

As I see it, with extreme and rising levels of wealth inequality we deal with one of the most pressing problems of liberal societies. Inequality as an independent Sustainable Development Goal (SDG) 10 of the United Nations (UN) is a crosscutting theme which can be linked to several goals and targets and may thus be understood as the main future indicator for measuring the success of achieving the SDGs (see CSRG 2018, 40-53). I would like to highlight two aspects of why inequality needs to be reduced. The first, because it is only recently that their interrelationship has begun to receive more prominence in debates, but is of the utmost relevance; the second, because it could hardly be more fundamental for society as a whole. The talk is of the climate crisis and democracy.

Inequality is harmful to the climate. Fifty years after the Club of Rome presented *The Limits to Growth* (Meadows et al. 1972), renowned scientists from various disciplines have now shared new insights with *Earth For All* (Dixson-Declève et al. 2022). Their analyses prove beyond doubt "that financial security, food and energy for all can only be achieved in a scenario involving a profound redistribution of wealth" (ibid., 121). Failure to achieve wealth redistribution would have enormous consequences for the progression of the climate crisis. This is because, as Kyle Knight et al. (2017) and Goodness Aye (2020) show, there is a positive and stable relationship between increases in wealth inequality and increases in emissions. According to Knight et al., a one percent increase in inequality translates into a 0.7 percent increase in emissions. Miriam Rehm et al. show how increasing inequality is related to higher levels of emissions through different impact channels (Rehm et al. 2023, ch. 2.4).

With the Paris Climate Agreement, the international community agreed to hold "the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels" (UN 2015, Art. 2). However, measured by the national and regional average carbon footprint, the US, Europe, Russia and Central Asia, and China are currently well above the global target (Bruckner et al. 2022, 2). Thereby the top 10 percent of the world's population is responsible for almost half of all emissions, while the poorer half of the world's population is responsible for only 10 percent (Bruckner et al. 2022, 4). More important than the average individual "carbon footprint" (which was made famous by the British multinational oil and gas company BP, see El Ouas-sil and Karig 2021, 399), however, are corporate emissions: Just 20 companies caused 480 billion tons of emissions between 1965 and 2017, "equivalent to 35 percent of all fossil fuel and cement emissions worldwide" (Climate Accountability Institute 2019, 1). While the population of the Global North and large corporations are the main perpetrators of the climate crisis, it is people affected by poverty, especially those from the Global South, who will carry the "burden of illness and mortality" due to the climate crisis (Abi Deivanayagam 2023, 64).

The second aspect I would like to emphasize is the existence of liberal democracies. Extreme inequality erodes them and threatens their continued existence. This is directly related to the main reason for extreme and growing wealth inequality: inheritances. In most countries of the *Organisation for Economic Co-operation and Development* (OECD), for which we have reliable data, inheritances and gifts account for more than half of all aggregated private wealth (Alvaredo et al. 2017). Moreover, most inheritances go to those who are already wealthier, which is in line with the Matthew effect from the Bible: "for he who has, to him shall be given" (Nachtwey 2017, 134; for Germany, see Baresel et al. 2021, 64). In part, however, because of generous exemptions from inheritance tax, such as in Germany for business assets (on this, see Jirmann 2022), it also applies that from whoever has more, less will be taken. If inheritance were practiced differently, in a more egalitarian way in which there would be more or less equal inheritance for all, there would be no problems with inheritance and gifts. "If everyone inherited the same amount, the playing field would be level" (Atkinson 2015, 170). However, calculations by the *Deutsches Institut für Wirtschaftsforschung* (DIW) show that inheritances exacerbate absolute inequality: "It is true that inheritances reduce relative inequality. [...] But at the same time, the wealth gap between heirs and non-heirs widens" (Grabka 2021, n.p.). However, inheritance does not only cause growing wealth inequality.

Philosopher Stephan Gosepath examines inheritance along generally accepted principles of justice: 1) democratic equality, 2) social equality, 3) equality of opportunity, 4) "merit" or performance, and 5) redistributive justice. Let us take a brief look at them in order: First, according to Gosepath, democratic equality means that decisions and cooperation take place among equals. This requires a broad distribution of capital to dry up wealth as a source of political power. In this sense, inheritance taxes are important because they are a potential tool to ensure that wealth is distributed (Gosepath 2022, 22-23). Second, social equality, in contrast to social inequality, means that social hierarchies through inheritance – such as status or caste – should be eliminated. Failure to break the inheritance of wealth reinforces social stratification, weakens social mobility, and results in the feeling that not everyone is in the same boat (ibid., 22-23). Third, equality of opportunity means that those who have the same skills and abilities should have the same life chances. If wealth is also understood as opportunity, or if wealth increases opportunity, we find that inheritance distributes opportunity very unequally (ibid., 23). Fourth, the merit principle is an expression of the rejection of the aristocratic class society and the belief that it is one's own performance that should count – and not characteristics such as gender, ethnicity, race, or the family into which one is born. Inheritance is in direct contradiction to this, as one has generally not achieved something or worked for oneself, but one rather receives something without one's own doing (ibid., 24). And fifth, distributive justice is necessary to counteract the formation of dynasties (ibid., 25-26). Gosepath also weighs arguments for inheritance, such as the ethics of gift-giving and the value of family but concludes that these are not as strong and that principles of justice prevail (Gosepath 2022, 26-30).

The reason why I elaborate on these principles of justice at the outset is that I consider it important to look at inheritance taxes against the background of high and growing wealth inequality for the sake of democracies – and not merely in terms of higher tax revenues or efficiency considerations. While these are important, the design of inheritance taxes is also and above all a question of justice. As this thesis will show, this approach is not a novelty, but has (at least in the cases considered) been the consensus in politics and society for a long time. For example, Emmanuel Saez and Gabriel Zucman show for the US that the quasi-confiscatory top marginal income tax rates under President Ronald Reagan were not designed to collect revenue; "they were designed to reduce inequality" (Saez and Zucman 2019, 37). As I will show in this thesis, this was also true in Mexico between 1920 and 1940, under Matthias Erzberger in the Weimar Republic in 1919, and (attenuated) for the Federal Republic of Germany (FRG) of the 1970s.

Taxes were seen as the most important democratic instrument during these periods. Rightly so, as it was not the world wars, world economic crises, and inflations that were crucial for reducing wealth inequality in the 20th century. Instead, redistributive tax policies in the postwar years were decisive (Saez and Zucman 2019, 32-44; Albers et al. 2020, 23; Piketty 2014, 373-374; 2020, 31). Decades later and at present, Thomas Piketty speaks of the return to inheritance societies, defined as "a society characterized by both a very high concentration of wealth and a significant persistence of large fortunes from generation to generation" (Piketty 2014, 351). Although OECD states observe a high and growing accumulated stock of inherited wealth as a fraction of private wealth (Alvaredo et al. 2017, 253), the debate about inheritance taxes remains insignificant. This is puzzling, as inheritances play a pivotal role in the ongoing creation of extreme wealth inequality over time and are completely at odds with the guiding principle of liberal democracies: the claim and aspiration to be a meritocracy. I assume the prevailing dominance of neoliberal narratives about the state, taxes in general (Saez and Zucman 2019, 47-51), anti-state attitudes of economic elites (Ondetti 2017), and the economic elite's strong belief in a meritocratic system (Atria 2022; Sandel 2020; Krozer 2019) to be the reasons for the present poor performance of the inheritance tax.

The neoliberal paradigm – although it may be dying (Fraser 2019, 29; Piketty 2022, n.p.) – determines how taxes should be designed. This idea is related to the understanding of how the state should behave in relation to the market. According to neoliberalism, states should only play a minor role in the economy,³ markets should operate in a free manner, and taxes are framed as a burden for citizens, bad for economic growth, and unnecessary as big welfare states make citizens lazy. Less progressive taxes on incomes and low or no taxes on wealth and inheritances provoked higher income inequalities and higher amounts of inheritances. Over the decades it became impossible to catch up to the *inheritance effect*⁴, as the state did not interfere in the transfer of wealth from one generation to the next. Ever growing inequalities based on the importance of family background, lower social mobility (OECD 2018a; Milanovic 2016, 202-203), and skyrocketing pay

³ Or rather not play at all but be a "rule-maker and umpire" (Friedman 1962, 25).

⁴ As Piketty describes, "[t]he inequality r greater g in one sense implies that the past tends to devour the future: wealth originating in the past automatically grows more rapidly" (Piketty 2014, 378).

gaps are the result. These present heavy contestations of the meritocratic principle (Nachtwey 2017; Markovits 2019; Sandel 2020) and give rise to a considerable challenge of the old orthodoxy; the legitimation of the discourse became strongly questioned over the last years – by academia. But how, over the course of time, did this questioning become possible and how was the role of the inheritance tax developed in the course of its existence, how were deviations from the status quo legitimized? And what is the attitude of today's economic elites, "the most dominant of sectoral elites" (Hartmann 2018, 399) to the inheritance tax? To explore these questions, I analyze Mexico and Germany.

The inheritance tax has not always been weak in some or even nonexistent in other states. Over the course of the twentieth century, many changes in the legal tax codes of the inheritance tax have occurred (Scheve and Stasavage 2017; OECD 2021). To the best of my knowledge, there have been no political science case studies of the historical evolution of the inheritance tax for either Mexico or Germany to date, examining it against the backdrop of wealth inequality, paradigms, and dominant narratives. Narratives play a key role in my thesis. Narratives carry ideas, values, and norms, and also encompass arguments. Narratives affect individual and collective behavior; they are the stories we tell. Cohesive narratives that are based upon the same ideas, norms, and values gain in importance and strength and mutually reinforce each other. Such cohesive narratives that most often occur form the *repertoire of narratives* (RON; for a detailed definition of narratives and how to identify RONS, see pages 41-47).

The first research question addresses the narratives and legal regulation of the inheritance tax over its history.

1. How have narratives, in concrete *repertoires of narratives*, and legal regulations of the inheritance tax evolved and changed over time?

This historical analysis is not only relevant in political science in its own right, as it shows the change and factors that favored it. The historical analysis is also necessary to be able to assess, classify, and in part verify the narratives of economic elites. The particular influence of economic elites in the growth and reproduction of inequalities has been empirically revealed (Gilens and Page 2014; Fairfield 2015; Elsässer et al. 2020 among many). Yet at present, we know remarkably little about their narratives in regard to wealth inequality, the role they assign to the state, and their attitude towards the tax system. Based on semi-structured interviews – with 38 actors from the economic elites and 61 in total – the question I aim to answer is:

2. What are the ideas and positions of economic elites, captured in their narratives and RON, regarding wealth inequality and the inheritance tax (in comparison to the income and other wealth taxes)?

These interviews will be of utmost importance, as elites' narratives have an explanatory power for preferences over design of public revenues, they challenge the inadequate yet extensive homogenous treatment of the group, they might indicate which aspects would need to be addressed

if the interest lies in strengthening the inheritance tax and, last but not least, they are truly interesting.

The dissertation is structured as follows: Before delving into the analysis of wealth inequality and the inheritance tax, in chapter two I will briefly present the long history of economic inequality becoming a theoretical puzzle. By now a broad consensus has been reached among researchers that rising and high levels of economic inequality are among the biggest challenges of liberal democracies. However, we must not forget that this consensus just recently became the dominant conception. If one wants to understand why economic inequality was not problematized, let alone addressed until very recently, it is of utmost importance to understand how economic inequality has been framed in this particular era, commonly known as the "neoliberal".⁵ According to the neoliberal view, global competition, driven by increased capital mobility and technological advances that have shrunk transport and transaction costs, can be a beneficial constraint on national economic politics and policies. This global competition has fostered a "race to the bottom" in tax policies. Less taxation and lower wages can encourage more investment, which in turn would drive more economic growth; and economic growth is, so to say, the holy grail of neoliberalism.

From the very beginning of (neo)liberal thinking, it was clear "that the system would involve some inequality of income" (Robbins 1937, 262). To protect the economy from the political backlash that this rise in inequality might produce, economic policy and economic inequality were placed outside the political sphere, "encased" and "protected" against democratic interference (Slobodian 2018, 13-17, 20). However, neoliberalism "is dying" (Fraser 2019, 29; Piketty 2022, n.p.) and in 2015, a key milestone was reached when inequality was integrated into the canon of the 17 Sustainable Development Goals (SDGs) of the United Nations (UN 2015). As inequality is framed differently now, as a challenge and as a threat, it is only logical and necessary that both its drivers and potential solutions to the problem have to be reframed as well. Once we turn away from the neoliberal approach, the question follows where to look next.

I identify four research gaps: wealth inequality, inheritance tax, narratives, and the economic elites. Although wealth inequality is more extreme than inequality through income for all countries for which we have data (Milanovic 2018, n.p.), "wealth inequality goes overlooked" (CSRG 2018, 41). In poverty analysis, it is coherent to focus on income. And it goes without saying that income and wealth are entangled. But the more attention is paid to the richest in society, the more attention needs to be drawn to their wealth. The richer someone is, the less relevant is income from labor and the more important becomes income from capital. A further element gains in importance: power. Above a certain level, wealth is no longer just about protection, use, income generation, and status. Instead, it becomes about transmission and about power (Schürz 2020, 25), and in consequence about our political system, the social contract, and democracy.

⁵ I expressed some of my thoughts on neoliberalism in this and the next chapter for the first time in a blog for SCRIPTS, see Linartas 2021.

With its rise, the overall importance of *inherited* wealth is also remarkable: at present, the share of inheritances of total private wealth is nearly as high as in the nineteenth century (Alvaredo et al. 2017). Yet the analysis of (the evolution of) the inheritance regulation is a blind spot in research and hitherto, we miss both data and debate (CSRG 2018; Atria 2018). This represents a research deficit, as debates and the legal regulations about the inheritance tax are an ideal field of observation for discovering the normative self-understanding and the economic and political balance of power in the investigated societies (Beckert 2013, 10).

If the interest is to explain how taxes have developed in terms of "belief systems" (Saez and Zucman 2019, 166-167), it is necessary to understand ideas and norms that influence individual and collective behavior – which find their expression in narratives. Narratives may have explanatory power for preferences about the design of the tax system in general and about the inheritance tax in concrete. Interrelated narratives based on the same ideas become more important and mutually reinforcing (Shiller 2019, 92). With *Narrative Economics*, Nobel laureate Robert Shiller aims to bring narratives and their causal significance to modern economic research.

Since the Global Financial Crisis in 2008/2009, the elites' influence on tax structures began to draw more attention. While ten to twenty years ago the particular influence of elites in the growth and reproduction of inequalities was rather assumed (e.g. Gates and Collins 2002; Nowatzki 2012), research approaches, data, and methods became increasingly sophisticated (López 2018) and found a clear cut relationship between the elites' power, agenda setting, and tax systems that became less redistributive over the past half century.⁶ Elite researchers, such as Michael Hartmann, emphasize how important the group of economic elites is. But to date, there has been little work analyzing the narratives of this powerful group of actors and elaborating how they relate to the state, taxes, and explicitly the inheritance tax (Fairfield 2010, 2013, 2015; Ondetti 2017, 2021; Atria 2018, 2022).

In chapter three, I will set the scene for my theoretical approach and conceptualization, and present my research design, including my case selection, methods, and material. Derived from the research gaps, the next step consists of the conceptualization of a theoretical model. My interest lies in understanding and explaining the role of inheritance taxation and the narratives of economic elites in regard to wealth inequality. I thus will rely on critical constructivism since it enables bridging structure (inheritance tax) and agency (elites) in a dialectical formula, considering that narratives will, more often than not, reflect those of the elites rather than those of the mainstream. Peter Hall's concept of paradigm changes plays an important role (Hall 1993); the work of Mark Blyth helps to understand why discursive elements are so important for paradigm changes (Blyth 2002, 2012). However, my main focus lies on narratives. Based on Michèle Lamont and Laurent Thévenot (2019), and Jens Beckert and Lukas Arndt (2017), I modify and introduce the concept of *repertoires of narratives* (RON), which allows me to analyze the coexistence and

⁶Gilens and Page 2014; Fairfield 2010, 2013, 2015; Klüver et al. 2015; Corak 2016; Mukand and Rodrik 2018; Elsässer et al. 2018; Lupu and Warner 2022.

interaction of the most frequently used narratives. In line with Antonio Gramsci, Robert W. Cox and their hegemonic approach, the focus will be on economic elites, defined as chief executive officers (CEOs), chief financial officer (CFOs), board members, presidents, and vice-presidents of the advisory board of big companies and business associations.

As to present my research design, I will explain my case choice, methods, and material. I compare Mexico and Germany – two member-states of the OECD, albeit very different in many ways – that have the same outcome: both states have a Gini-coefficient⁷ of wealth inequality of about 0.8. In a first step, I will trace the historical evolution of inheritance regulations and its RONS to carve out which narratives gained acceptance and became institutionalized and operationalized. The analysis of wealth inheritance in these countries illustrates its importance for understanding the ongoing/consolidation of inheritance societies and allows generalized findings for other OECD states.

Throughout the entire comparative analysis, I acknowledge the spatio-temporal settings. Although changes in narratives occur, these do not happen suddenly but require much time before they finally may materialize. Different time sequences in accordance to paradigm shifts also bring with them different sources and material. Accordingly, I separate my analysis over time and structure my work in two sections: for the historical analysis I will analyze primary sources (e.g. parliamentary debates) and secondary literature; while thereafter, when focusing on the economic elites, I mainly analyze the RON on the basis of semi-structured interviews.

Chapter four spans the historical analysis of Mexico and Germany. In this part, I will focus on the RON about the inheritance tax in the political discourse, their continuities, and breaks. The aim is to contrast and compare the political RONS and the overall discourse over time with the current RONS of the economic elite in the next chapter. In consequence, the leading research question of the historical analysis is as follows: Which RON have dominated the political discourse since the beginning of nationwide inheritance taxes and what are their continuities and breaks in the democracies of interest, Mexico and Germany? To answer this question comparatively for Mexico and Germany and to be able to classify the analysis of the narratives, various steps have to be taken in a focused and structured manner: First, based on the defined concepts, I will provide an overview of the dominant ideologies and paradigms as to embed the narratives about taxes and inheritance taxes. Second, I describe the changes in the inheritance law. Third, I interpret the changes and analyze the RON.

For Mexico, I analyze the period after the revolution, starting in 1920. In 1926, the inheritance tax was introduced; after less than 40 years, it was abolished again in 1962. More than half a century later, the OECD, as well as some experts and politicians in Parliament and the Senate, brought it back into the discussion. The historical analysis for Germany starts in 1919. I end my analysis with the seizure of power in 1933 and before resuming with how the inheritance tax developed in West

⁷ Gini-coefficient measures inequality: 0.0 would mean that all have the same, 1.0 would mean that one possesses all.

Germany after World War II. Unlike in Mexico, the inheritance tax is still levied and has remained on the political agenda, albeit with ups and downs. Derived from the research findings of the historical analysis, I make assumptions about the status of the inheritance tax in the current political environment and highlight the factors that seem to be necessary to strengthen it.

In chapter five, I conduct a critical narrative analysis of the interviews with the Mexican and German economic elites, which forms the centerpiece of my dissertation. I conducted a total of 38 semi-structured interviews with actors from the economic elites that ranged from 20 minutes to over several hours, which were then anonymized. The interviews focused on the actors' attitudes toward inequality, regarding the state, toward taxes, and specifically their attitude toward the inheritance tax. The interviewees differed widely in their positions, so I identified three groups: half of the actors are against levying or strengthening the inheritance tax, the smallest group consists of those who are ambiguous, and the third group includes all those who would be in favor of introducing or strengthening the inheritance tax.

The comparison of the three groups within each country is followed by a comparison between Mexico and Germany. An interesting finding is that the differences within the countries are larger than the differences between the countries. Based on the RON, a final assessment of the contra-narratives of the economic elites is possible. The historical analysis, interviews with experts from both countries, as well as secondary literature, allow a preliminary critical analysis of the contra-narratives. Which narratives are foregrounded for this extremely important group of actors? And which narratives represent a political attitude based on neoliberal beliefs; which may even lack empirical evidence?

In the final chapter, I summarize the research findings from the historical analysis of Mexico and Germany, as well as from the interviews. In doing so, I compare the similarities and differences between and within the countries in the course of inheritance tax reforms from the beginning of the 20th century to the present. What paradigms and ideologies have favored strengthening or weakening the inheritance tax, and what other agency-level factors were necessary for a departure from the status quo? Building on the historical comparison and analysis, I make assumptions about the current and future chances of strengthening the inheritance tax.

In this sense, the research findings of this dissertation are highly relevant: They provide orientation as to which narratives should be addressed in communication as well as in research in order to increase the chances of strengthening the inheritance tax. After all, when the connections between wealth inequality, democracy, and the inheritance tax are known, support for the inheritance tax increases significantly (Bastani and Waldenström 2021, 564). In this sense, it is important to debunk political myths (Heidenreich 2022). I sincerely hope that this thesis will contribute to this effort and provide good starting points for further research on wealth inequality and the inheritance tax.

2 Economic Inequality and its Long Way Towards Becoming a Theoretical Puzzle

From 1955 and for many decades thereafter, the most prominent approach to explain and predict the evolution of economic inequality (hereinafter inequality) was based upon the prominent “Kuznets curve”. Simon Kuznets assumed

“a long swing in the inequality characterizing the secular income structure: widening in the early phases of economic growth when the transition from the pre-industrial to the industrial civilization was most rapid; becoming stabilized for a while; and then narrowing in the later phases.” (Kuznets 1955, 18)

Graphically, economic inequality would show an inverted U over the course of a state’s industrial advancement. Kuznets himself stated that his predictions were based upon five percent empirical information and 95 percent speculation (Kuznets 1955, 26). As data in the following decades revealed, his approach did not meet the reality that showed continuing levels of growing inequality – despite the industrial and technological progress (see Savvides and Stengos 2000; Atkinson et al. 2011, 57; Luke 2012). While Kuznets’s approach assumed that inequality would decline over time by means of economic progress, neoliberal thinking that emerged in the 1980s understood inequality as inevitable due to globalization, necessary for the economic good, and motivating in meritocratic societies (Robbins 1937; Friedman 1962; Thompson 2007). Neoliberal economic policies were of a regressive nature and emerged as a counterprogram to the economic and financial policies of John Maynard Keynes, encompassing the understanding of a strong, intervening state (Streeck 2013).

As Quinn Slobodian presents in detail, from the birth of the neoliberal idea until it came into force, one of the biggest accomplishments of neoliberals was to depoliticize the economy and its adherent policies (Slobodian 2018, 212-213). Jacqueline Best shows how a consensus among policymakers in the 1970s and onwards evoked the idea of a technical model of the world economy which implied to remove politics from the marketplace (Best 2007, 124-127). The best-known proponents of the neoliberal paradigm are Friedrich August von Hayek and Milton Friedman. According to their neoliberal view, declining payments for less qualified labor are understood as dictated by a global competition with increasingly financial and transnational free capital in a world that observes technological progress on a high scale and leaves little, if not no room for national politics and policies. Regulations, social transfers, labor costs, and taxes fell victim to this paradigm: interpersonal inequality, in both Hayek’s and Friedman’s opinion, resulted from interpersonal differences in skills and talents; in accordance with the marginal productivity theory, compensation for labor reflects different individual’s contributions to society; and being in a

global competition fosters a “race to the bottom” in tax policies. Less taxation and lower wages are mandatory in order to achieve more economic growth. And economic growth is, without any doubt, the holy grail.

As economic growth and equality are understood as trade-offs, questions of (re-)distribution had to be subordinated (Guidetti and Rehbein 2014). From the very beginning of neoliberal thinking, it was clear “that the system would involve some inequality of income” (Robbins 1937, 262). But given that government intervention is bad per se and social spending makes people lazy, so the neoliberals believe, high tax revenues are anyway deemed unnecessary. Furthermore, whoever would work hard, so was and is the generally believed wisdom, could make their way from a dishwasher to a millionaire (OECD 2008; Levmore 2015, 843). On top, regressive policies and ever lower levels of taxes – especially for the rich – would not only benefit the upper classes but also “trickle down” to the rest in society. So even if the regressive model initially has the effect of widening inequalities, in the long run it reduces them: “in other words, this model can generate a Kuznets curve” (Aghion and Bolton 1997, 151) and everyone would benefit. As Joseph Stiglitz explains, it came to be believed that “a rising tide lifts all boats” (Stiglitz 2015, 1). “Over time”, as Michael Thompson observes, “this new market ideology has come to legitimize economic inequality as a necessary byproduct of capitalism” (Thompson 2007, 145). However, over the last years, the described trade-off between economic growth and inequality, the trickle-down effect, as well as the meritocratic principle have been fatally undermined and called into question.

While these approaches to explain and legitimize economic inequality have been embraced since the mid-1970s, the recent turn in the discourse cannot be denied. Much empirical evidence has demonstrated that economic “growth does not require rising inequality” (Milanovic 2016, 89; see also Stiglitz 2015; Seo et al. 2020). Just as Kuznets’ approach did not correspond with empirical findings, the trickle-down notion and marginal productivity theory could not stand the reality test.

“Contrary to the rising-tide-hypothesis, the rising tide has only lifted the large yachts, and many of the smaller boats have been left dashed on the rocks. The trickle-down notion – along with its theoretical justification, marginal productivity theory – needs urgent rethinking.” (Stiglitz 2015, 134)

David Hope and Julian Limberg from the London School of Economics analyzed in a recent study including 18 OECD countries over five decades whether major tax cuts for the wealthiest in society have had any economic effects. They found that every major tax cut reform has led to a rise in income inequality and, at the same time, the economic performance was not significantly affected; the estimated effects in regard to growth were “statistically indistinguishable from zero” (Hope and Limberg 2020, 5). And whereas the school of thought formulated by Hayek and Friedman predicted that market capitalism would lead to the liquidation of class, open the door to social mobility, and establish equality of opportunity in a meritocratic society (Linartas 2018, 3), the opposite occurred. People born before the 1950s indeed enjoyed a stronger upward mobility

regardless of class and destination, yet later generations experienced reduced social mobility and life chances that are “sticky” depending on their origins (OECD 2018a, 14; see also Breen and Müller 2020). Social mobility changed over time – for the worse. As Dan Andrews and Andrew Leigh state: “Moving from rags to riches is harder in more unequal countries” (Andrews and Leigh 2009, 1492).

These findings are in strong contrast to the meritocratic principle of our time. According to Thomas Piketty, every society needs its explanatory models and justifications for inequalities (Piketty 2020, 1). While the ancient aristocracy’s elite was determined by birthright, the narrative of achievement came to the fore in the course of the 1960s (Markovits 2019, 115). From today’s perspective, hierarchies back in aristocratic times were bad and unjust – today’s hierarchies claim to be fair, efficient, and good because we believe those at the top deserve it the most. But the rise in inequality, as Mark Goldring, Chief Executive of Oxfam in Great Britain (GB) states, “goes beyond grotesque” (Oxfam 2017) and, with it, social mobility and equality of opportunity is down (Milanovic 2016, 202-203). According to Daniel Markovits, Professor of Law at the Yale Law School, “[m]eritocracy is not the solution to rising inequality but rather its root” (Markovits 2019, 18).

As outlined in “the myth of meritocracy” (Solga 2015), with its focus on personal effort, inequality as an outcome becomes to be understood as a personal phenomenon that is justified in regard to someone’s engagement in society, from school to the job market. Yet the opportunities to engage in education and labor are everything but equal. Since the 1960s until the present day, the meritocratic principle has undermined itself. According to the Global Social Mobility Report by the World Economic Forum, “parents often use their wealth to support their children by investing in their education” (WEF 2020, 31). Even if the old aristocratic elite was against new (meritocratic) rules of the game, they quickly became accustomed and learned to play their (wealth) cards to their advantage. Nowadays, money once again increasingly determines whether someone gets to the very top. Wealthy parents spare no efforts in increasingly privatized education systems which leave much room for a competitive game or “field of struggles,” in which elite parents strategically improvise in their quest to maximize their children’s position (Maton 2008, 54). Adrian Wooldridge labels this phase of meritocracy, which emerged in the 1980s, “bastard meritocracy... [lacking] the mechanisms of social mobility which rendered meritocracy inclusive and dynamic” (Wooldridge 2021, 307).

In line with the approach of Pierre Bourdieu (2010 [1979]), education systems tend to reproduce status and inequality rather than reduce them. Both cultural and economic capital bring huge advantages to children with wealthy backgrounds. While wealth can buy privileged education, good education for middle class families becomes more out of reach as the expenses for education rise at a faster pace than wages. From kindergarten to university, wealthy families invest sums that the average citizen cannot afford. According to Markovits’ calculation for the US, the wealthy spend between 8.7 and 16.9 million dollars on education per child. Markovits calls these expenses “meritocratic inheritance” (Markovits 2019, ch. 5). Expenses per se are not a problem. What is a

problem is if these rise to a higher extent than incomes – which have stagnated (Maldonado 2018). These changes show that family background once again becomes the more decisive factor of whether someone makes it to the top or not. For the time being, the result of this development has been best summarized by Robert Putnam:

“Smart poor kids are less likely to graduate from college now than dumb rich kids. That’s not because of the schools, that’s because of all the advantages that are available to rich kids.” (Putnam, 2016, cited after Pazzanese, 2016)

The German sociologist Michael Hartmann decidedly rejects the "myth of the performance elite" in the European context:

“With the constant reference to the principle of fair performance” not only the decisive career advantages that citizenship children have due to their origin are completely ignored, but at the same time an attempt is made to legitimize the resulting, increasingly blatant differences in power and income in a publicly effective manner.”
(Hartmann 2002, 180)

In the same vein, Klaus Schubert emphasizes the importance of social origin as a selection criterion for top careers in Germany, especially in the economic elite (Schubert 2006, 94). He states that "the expectation of the functionalist elite theory that the social opening of the educational system would lead to a social opening in access to elite positions is not fulfilled" (Schubert 2006, 95). The narrative of the meritocracy belies the inequalities in society; it suggests that there are no differences between people other than their performance. But this is wrong: “We are and always have been a class society” (Nachtwey 2021, n.p.).

The meritocratic principle has spread beyond the European, American, or Western sphere. As Alice Krozer clearly makes the point about Mexico, meritocracy "is a flattering narrative for high-income earners. Little surprise, therefore, that it is the predominant explanation I have found in my studies among Mexican elites" (Krozer 2019, n.p.)⁸. After interviewing CEOs and other members of the economic elite in Germany, I can approve these findings: all interviewees, almost wholly without exception, name education as the most important solution to fight rising inequality.

Natasha Warikoo comes to the same conclusion about students from elite universities (Warikoo 2018). On average, students will say that it was their *choice* to learn harder and thus deserve better. A “choice mind-set” is closely related to the acceptance and maintenance of wealth inequality. This is the result of a study by Krishna Savani and Aneeta Rattan (2012). As the authors from Columbia and Stanford University explain, when the concept is deeply valued, it leads members

⁸ For a better reading experience, I have translated all quotes into English. Translated quotes are only put in the footnote in their original when they span more than two lines and thus stand alone.

from a society to act in ways that perpetuate wealth inequality. Results from these two studies show the problematic situation. First, the ones in top positions strongly believe in the narrative. Second, the narrative, which embraces individual self-determination, makes people – not only in top positions, but in society per se – “less likely to believe that societal factors contribute to the success of the wealthy [and] less willing to endorse redistributing educational resources more equally between the rich and the poor” (Savani and Rattan 2012, 801).

With rising structural and economic inequalities, the narrative of a meritocratic society has become a fairy tale. Yet as research proves, the majority continues to embrace the principle of a performance-based society. Jonathan Mijs even finds that, “the more unequal a society, the more likely its citizens are to explain success in meritocratic terms, and the less important they deem nonmeritocratic factors such as a person’s family wealth and connections” (Mijs 2021, 7). The strong belief in a meritocratic society helps to explain why high and/or rising levels of economic inequality are not puzzling: if inequality is a personal problem, a question of effort and engagement, why should academia and politics care? The unequal outcomes are depoliticized – the same phenomenon which occurred to economic inequality and the economy.

With these findings comes the enormous relevance and importance of research in the realm of economic inequality: it is up to researchers to dismantle the apolitical narrative of reasons and explanations of rising inequalities. The good news is, inequality has already received a new frame: In 2015, a key milestone was reached when inequality was integrated into the canon of the 17 Sustainable Development Goals (SDGs) of the United Nations (UN 2015). “Reducing Inequality” as Goal 10 presents “not only a moral or ethical problem; it is increasingly seen as a key obstacle to sustainable development and poverty eradication” (UNRISD 2016, 42). Furthermore, as has been pointed out by the Civil Society Reflection Group (CSRG) on 19 September 2018 at the UN headquarter in Geneva, it is a “crosscutting theme” which can be linked to every goal and target and may thus be understood as the “main future indicator” for measuring the success of achieving the SDGs.⁹

On July 17, 2023, 200 leading economists sent an open letter to the United Nations Secretary-General and President of the World Bank, stating that “SDG10 is not a separate, standalone goal: all economic, financial, and social policies should be assessed in terms of their likely impact on this goal” (Stiglitz and Ghosh 2023, n.p.). As inequality is framed differently now,¹⁰ it is only logical and necessary that both its drivers and potential solutions have to be reframed as well. And once they are reframed and we turn away from the neoliberal approach – including the meritocratic principle – the question that follows is where to look next.

⁹ By K. Donald and H. R. Schillinger, see also CSRG, 2018.

¹⁰ Frames are “collectively shared and accepted ways of interpreting situations and problems in life” (Duina 2011, 100).

2.1 Research Gaps: Connecting the Dots

2.1.1 Research Gap 1: Wealth Inequality

Inequality as one of the most pressing problems of our times has reached center stage. It took more than half a century before inequality was dragged into the spotlight. While Simon Kuznets' approach back in 1955 assumed that inequality would decline over time by means of economic progress and, thus, inequality was not even considered problematic, neoliberal thinking that emerged in the 1980s understood inequality in the times of laissez-faire economics as just, desirable, and "a necessary byproduct of capitalism" (Thompson 2007, 145; see in detail, Friedman 2002 [1962], 162, 168-176). Not only was inequality not understood as problematic; one of the biggest accomplishments of neoliberal thinkers was to depoliticize the phenomenon (Clift 2014; Slobodian 2018). Jacqueline Best shows how a consensus among policymakers in the 1970s and onwards evoked the idea of a technical model of the world economy which aimed to remove politics from the marketplace (Best 2007, 124-127). But this position has been deeply shaken. Recent economic work on economic inequality reveals that political and social factors, narratives, paradigms, and ideologies are considered as decisive factors, echoing Anthony Atkinson's call from the late 1990s.

Back then, Atkinson called for going beyond economic explanations in inequality research and understanding that institutional, political, and social forces matter (Atkinson 1997). While, as Atkinson himself states, his call first fell on deaf ears (Atkinson 2015), after the world financial crisis in 2008/2009, much research paid particular attention towards drivers and consequences of the societal distributional mechanisms in neoliberal times. A growing body of literature argues that politics and public policy can and do significantly reinforce or mitigate pressures from globalization, technological pressures, and other forces (Bartels 2016) that are "wrapped around each other" (Milanovic 2016, 102). How inequality develops is a matter of institutions and politics (Acemoglu and Robinson 2012; see also Acemoglu et al. 2015) in a specified historical setting (Piketty 2014) in which intellectual and political changes, belief systems (Saez and Zucman 2019), normative structures, and ideologies play a pivotal role (Piketty 2020).

From a phenomenon that would diminish by means of economic progress (Kuznets 1955), to a necessary byproduct of capitalism (Friedman 1962), economic inequality came to be framed as a tremendous problem. In 2014, the World Economic Forum (WEF) stated that the large and growing income gap between rich and poor poses the biggest threat to the global community and its political liberal order (WEF 2014). In the same year, the neoliberal paradigm was subjected to an examination by Thomas Piketty in his historical-institutional study *Capital in the Twenty-First Century* (C21; Piketty 2014). Paul Krugman states that C21 "has transformed our economic discourse; we'll never talk about wealth and inequality the same way we used to" (Krugman 2014). *The Economist* even goes so far as to say that contemporary books on inequality have to be divided

into published BC (Before Capital) or AP (After Piketty; Economist 2014). Without doubt, Piketty has prompted a broad discussion about the top income shares and introduced a new approach to rising inequality (as Milanovic (2016) states, after more than half a century).

In 2015, a key milestone was reached when inequality was integrated into the canon of the 17 SDGs of the United Nations (UN 2015). As the topic gained wide attention, Miles Corak listed the most influential works from political economists on the issue: “Atkinson (2015), Milanovic (2016), OECD (2011, 2015), and Piketty (2014)”.¹¹ The literature on economic inequality is broad and far away from a consensus (Acemoglu et al. 2015, 1953), and the contributions of these and further authors differ substantially. Yet they also share some commonalities: they all emphasize the role of political, historical, and social factors; they all stress the importance and higher rates of wealth inequality in comparison to income inequality; and yet, quite paradoxically and despite this finding, they rather focus on income than on wealth. The consensus reached among scholars from across all social sciences is that the goal lies in “Combating Inequality” (Gallas et al. 2018). Yet while drivers of inequality are rather analyzed with regard to income (e.g. labor, financial markets, trade unions), relatively little concern is given to wealth.

Already back in 1995, Edward Wolff found that “wealth inequality is ... and has always been extreme and substantially greater than income inequality” (Wolff 1995, 27). Back then, “almost all discussions of distributional issues have centered on income” (Wolff 1995, 1; see also Korpi and Palme 1998, 661). More than twenty-five years later, this statement has not lost any of its veracity, even though wealth inequality is more extreme than inequality through income for all countries for which we have data (Milanovic 2018, n.p.). Furthermore,

“[w]ealth provides a deeper understanding of social inequality and social mobility because it reflects the assets built up by previous generations, the current resource base, plus the prospects for long-term well-being and financial stability.”

(Nowatzki 2012, 405)¹²

The main argument for the absence of research about wealth inequality relies on missing data and methodological problems (Piketty 2014, 14-16; Schröder et al. 2019, 314; Albers et al. 2020, 1-2). Within recent years, these problems have been addressed in a truly impressive manner. The *World Inequality Report* (Alvaredo et al. 2018, Chancel et al. 2022) and *World Inequality Database* (WID), the *Global Wealth Report* from Credit Suisse (2011-2022), the World Wealth Report by Capgemini (1997-2022), the DIW report that puts *Millionaires under the Microscope* (Schröder et al. 2020), and the paper for Germany, *The Distribution of Wealth in Germany* (Albers et al. 2020), all show the same trend: over the last decades, wealth inequality in western economies has risen to a tremendous extent.

¹¹ See Corak (2016); for a comprehensive literature review of the three scholars, see Linartas (2018).

¹² See also Spilerman (2000).

Where data from tax records over the course of time is missing, it is more difficult to assess the evolution of its redistribution. As Diego Castañeda Garza and Alice Krozer state, “for countries without statistics dating from centuries ago, other proxies for wealth need to be used” (Castañeda Garza and Krozer 2020, 3). Florencia Torche and Seymour Spilerman use diverse sources and primary data analysis for 16 Latin American countries to produce estimates of the distribution of home ownership, land, and financial assets (Torche and Spilerman 2006). Using these assets is necessary since “there is no survey of household wealth for any Latin American country” (ibid., 3). Their results demonstrate very high wealth concentration in all these asset types; furthermore, they link wealth inequality directly with its intergenerational transmission:

“The substantial concentration of wealth found in Latin America has historical roots in the colonial structure of natural resources accumulation by a small European elite. ... The study of the impacts of parental resources in contemporary Chile provides additional evidence about the mechanisms of intergenerational transmission of wealth. ...children’s wealth holdings are almost entirely and directly determined by parental wealth. This finding suggests a pattern of unmediated transmission of advantage, most probably through inheritances and *inter vivos* transfers.” (Torche and Spilerman 2006, 35-36)

Different from Torche and Spilerman, Castañeda Garza and Krozer reconstruct the distribution of wealth using a sample of Mexican wills, which allowed them to determine that the wealth inequality back in 1910 was at the same level as it is today: slightly below 0.8 (which is 0.3 above income inequality). This finding proves one of Latin America’s most remarkable characteristics: the endurance of inequality throughout time (Braig et al. 2016, 1).

2.1.2 Research Gap 2: Inheritance Tax

One criticism of Latin America in terms of both income and wealth inequality is aimed at low and regressive taxes. The different redistributive impact of fiscal policy between advanced economies and Latin America is huge: whereas Latin America’s income Gini after taxes goes from 0.53 to 0.5, the Gini in advanced economies decreases on average by 0.17, from 0.46 to 0.29. “Two-thirds of the difference in the Gini for disposable income between the two groups of countries (14 out of the 21 points difference) can be explained by the different redistributive impact of fiscal policies” (IMF 2014, 19). The Inter-American Development Bank (IDB) even goes so far as to call insufficient tax revenues “traditionally [too low] to afford adequate provision of public services to citizens” (IDB 2013, 15). The described importance of taxation is very clear and does not only apply to Latin American countries but should include most states: “perhaps the most important factor in driving the concentration of wealth and economic power has been the adoption of more regressive tax policies *in most regions of the world*” (CSRG 2018, 47, italics by the author). While we can see significant differences in income taxation between Latin American and most industrialized countries, we cannot state the same with regard to wealth taxes.

In *Triumph of Injustice* (2019), Emmanuel Saez and Gabriel Zucman emphasize that a country's tax system is "the most important institution of any democratic society". They make their point very clear that a higher and more progressive income tax is not sufficient, as this would not affect tax bills from the wealthiest because they derive most of their income from capital (Saez and Zucman 2019, 97, 146). The snowball-effect serves to illustrate the intertwined way in which income and wealth play into one another:

"Wealth generates income, income that is easily saved at a high rate when capital taxes are low; this saving adds to the existing stock of wealth, which in turn generates more income, and so on. This snowballing effect contributes significantly to the surge in wealth concentration in America." (Saez and Zucman 2019, 97)

With wealth inequality on the rise, the overall importance of *inherited* wealth is also remarkable. At present, the role and volume of inheritances are nearly as high as at the beginning of the twentieth century (Piketty, 2014; Alvaredo et al. 2017). Yet as wealth may be divided into two categories – the accumulation of savings over a lifecycle (or "self-made wealth", Alvaredo et al 2017, 239), and the inheritances from previous generations – the question that remains is which of these two categories contribute to rising and extreme levels of wealth inequality. This empirical question requires a careful study of the states of interest. In her analysis of wealth inequality and intergenerational links for the cases of the US and Sweden, Mariacristina de Nardi finds support for the assumption that the bequest motive leads to larger increases in the concentration of wealth (de Nardi 2004). Florencia Torche and Seymour Spilerman found that wealth holdings in Chile are almost entirely and directly determined by the wealth of the previous generations (Torche and Spilerman 2006). Facundo Alvaredo et al. show that the share of inheritance in aggregate private wealth in France, the UK, Germany, Sweden, and the US from 1900 to 2010 is U-shaped and "back to 50-60%" (Alvaredo et al. 2017, 239); this means that the fraction of inheritance is once more becoming more important than wealth accumulated over a lifespan. And this in turn means that, by definition, these states are more inheritance societies than meritocracies.

For the case of Germany, as of 2020, Marcel Fratzscher states that the most important reason for the immense wealth inequality is inheritances. In his opinion, we need a radical reform of the inheritance tax, and maybe an inheritance for everyone (Fratzscher 2020). Anita Tiefensee and Markus Grabka estimate that the German inheritance volume is currently around 400 billion Euro per year (Tiefensee and Grabka 2017). The empirical evidence of demographic structures of German wealthy citizens by the *Deutsches Institut für Wirtschaftsforschung* (DIW) proves that questions of inheritances will become further pressing: 39 percent of the rich are 50-64 years old and 38 percent are over 65 years old; in the case of the super-rich, this demography even applies to 37 and 40 percent (Schröder et al. 2020, 321).

For Germany there is no room for doubt that we are currently experiencing "the historically greatest wave of inheritances" (Postbank study 2013; cited after Van Laak 2016, 138). Reiner Braun

emphasizes that in terms of equal opportunities, ever growing legacies might give rise to criticism (Braun 2015, 60; see also Braun et al. 2011). These findings and others suggest that in both developed and emerging states, inheritances are expected to have more significant wealth distribution consequences in the near future (Credit Suisse 2019, 34). Yet the analysis of (the evolution of) the inheritance regulation is a white spot in research and hitherto, we miss both data and debate (CSRG 2018; Atria 2015, 2018). This represents an unequivocal research deficit, as debates and the legal regulations about the inheritance tax are an ideal field of observation for discovering the normative self-understanding, as well as the economic and political balance of power in the investigated societies (Beckert 2013, 10).

Curiously, “scholarship on the issue ... is far less than one would expect given the relevance of the topic” (Beckert 2008, 521). Beckert recalls that in the mid 19th century, John Stuart Mill (1838) spoke of the inheritance law which was only matched in importance by contract law, while Alexis de Tocqueville (1835) stated that “the issue of inheritance was so crucial to social development that the legislator may rest from his labor once he has regulated the laws governing” (de Tocqueville [1838] 1945, 50, here cited after Beckert 2008, 522). Despite the possible “useful role” taxes on inheritances and gifts could play “in limiting inter-generational inequality” (IMF 2014, 41), research from Beckert and Arndt reveals that Germans and Austrians are opposed to an inheritance tax (Beckert and Arndt 2017). Beckert states that, although the broad part of a society should be in favor of an increase, the majority of voters are against such regulations. And, while one might argue that wealthy people might have no special interest in regulations of their wealth after their death, the opposite holds true (Beckert 2008, 522).

“The fact that estate taxation is so controversial indicates that these conflicts have a much more profound background in the way this tax relates to the normative fabric of societies.” (Beckert 2008, 522)

In this very sense, “(i)t is important to understand that a tax is always more than just a tax: it is also a way of defining norms and categories and imposing a legal framework on economic activity” (Piketty 2014, 520). Given the importance of taxes if the goal is to prevent inequality from reaching extreme levels, and the growing volume and importance of inheritances, I will dedicate my PhD project to taxes on inheritance.¹³

¹³ A further argument as why to focus on inheritances is given by the review from Branko Milanovic on the book by Daniel Shaviro’s “Literature and inequality” (2020). Milanovic points out that there are only three ways to the top: “Inheritance, Marriage, and Swindle” (Milanovic 2020). Whereas we cannot and must not intervene in marriages, law and order against swindle should be improved. However, the sphere in which politics can do most is to change legal regulations of inheritances and gifts.

2.1.3 Research Gap 3: Narratives

Over the last five years, we find increasingly more attention within inequality research paid towards political and social factors and, most recently, towards narratives. Narratives carry ideas and norms, and affect individual and collective behavior. With *Narrative Economics* (Shiller 2019), Nobel prize winner Robert Shiller is eager to bring in narratives and their causal significance into modern economic research:

“Though modern economists tend to be very attentive to causality, as a general rule they do not attach any causal significance to the invention of new narratives. I want to argue here not only that causality exists, but also that it goes both ways: new contagious narratives cause economic events, and economic events cause changed narratives.”

(Shiller 2019, 71)

One of Saez and Zucman’s (2019) main findings is the following: if it comes to tax structures and inequality, perceptions and belief systems are more important than globalization and technological progress (Saez and Zucman 2019, 166-167). If we believe taxes to be the price that “we pay for civilized society” (Oliver Wendell Holmes, US Supreme Court Justice, ca. 1927; cited after Saez and Zucman 2019, 48), societies can choose whatever level of tax progressivity they want. Yet if we frame taxes as a burden, if the story goes that taxes harm innovation, investment, and cost labor, we lack both the political and private will to deconcentrate excessive wealth by democratic means. As wealth begets wealth, in the absence of taxation of wealth, inequality will continue to increase (OECD 2018a). This logic also applies to inheritances: Without any taxes, the perpetuated economic inequality over generations will maintain its growth trajectory (OECD 2021a, 50). This creates enormous tensions between liberal norms and orders with the principle of merit on the one hand, and a continuing growing inheritance of inequality on the other (Beckert and Arndt 2017). The fundamental tension between the principles of inheritance and meritocracy as a guiding principle of liberal democracies is a striking fact (Wehler 2013).

While bequeathments, materialized in the form of wealth, cannot be doubted, meritocracy as a societal concept is increasingly put into question. According to Daniel Markovits, “meritocracy is not the solution to rising inequality but rather its root” (Markovits 2019, 18). As outlined in “the myth of meritocracy” (Solga 2015), with its focus on personal effort, inequality as an outcome becomes to be understood as a personal phenomenon that is justified in regard to someone’s engagement. It is above all the elites themselves that internalized this narrative (Warikoo 2018). When the meritocratic narrative is deeply valued, it leads members from a society to act in ways that perpetuate wealth inequality: the notion of individual self-determination makes people – not only in top positions, but in society per se – “less likely to believe that societal factors contribute to the success of the wealthy [and] less willing to endorse redistributing educational resources more equally between the rich and the poor” (Savani and Rattan 2012, 801). Jomo Kwame Sundaram states that “a meritocratic system – seemingly open to inclusion, ostensibly based on

ability – has become the new means for exclusion” (Kwame 2020, n.p.). And in the same vein, Daniel Markovits (2019) argues that meritocracy undermines not only itself, but also democratic and egalitarian ideals. This contestation of the liberal script (defined as “descriptive and prescriptive knowledge about the organization of society” (Börzel and Zürn 2020, 9)) is not yet popular and far from being accepted by the majority (especially *not* within the political and economic elites). However, thoughts about the links between inherited wealth and an uneven playing field are gaining strength (see also OECD, 2018c). And once the issue is brought to the surface, the dissonance of these narratives becomes clear. I thus argue that

“[m]eritocracy and economic inequality are fractious allies. ... Analyzing [the meritocratic narrative] means becoming aware of the veil that lies over the tremendous canyon between the haves and have-nots, shrouding the rise in economic inequality within liberal democracies since the 1980s.” (Linartas 2021, n.p.).

One scholar who has analyzed the interplay of the *longue durée* of inheritances in meritocratic societies is Jens Beckert (Beckert 2007, 2008, 2013; Beckert and Arndt 2017). In his work about the inheritance tax, Beckert stresses the point that economic factors as independent variables alone are insufficient to understand and explain the functional and normative ambiguity, captured in different narratives across countries that share one feature – they all have very low inheritance taxes:

“an explanation that invokes only economic interests makes it hard to understand why there are some owners of great wealth who are in favor of inheritance taxation ... and why, conversely, so many individuals who will never be affected by this tax repeatedly come out against the taxation of inheritances in opinion polls.” (Beckert 2008, 523)

Beckert analyzes the evolution of inheritance taxes in Germany, Austria, the US, France, and GB from the perspective of social institutionalism. According to his findings, different principled beliefs cause various narratives which help to explain the various preferences towards the inheritance tax. Preferences are those interests that determine how the actor rank-orders the possible outcomes (Frieden 1999, 42). As Beckert emphasizes, it is indispensable to analyze the narratives and the norms upon which these rest.

Following Juan Pablo Pérez Sáinz, recent proposals of change that seek to reduce inequalities fall prey to limitations of the (neo)liberal script (Pérez Sáinz 2017, 105). A substantive reduction of inequality requires another type of interpretation which is to be found in the antipodes of the predominant imaginary.¹⁴ If the interest lies in understanding the rise of inequality, it is of utmost

¹⁴ By this Pérez Sáinz means that views of inequality must shift to the sphere of *distribution* and prioritize *the problem of surplus*. This claim is consistent with findings of the *United Nations research Institute for Social Development* (UNRISD) and scholars linking economic inequality with tax policy (which may be equated with *distribution*) and the wealth of elites (*the problem of surplus*). Following UNRISD’s argumentation, the latter is to be blamed for continuing high levels of inequality, as the elites have defended its interest to the detriment of tax equity and universality (UNRISD 2016, 178).

importance to go beyond the materialist/positivist sphere; more so as the inequality turn (Atkinson 2015, 80) since neoliberalism was based upon a “battle of ideas” (Butler 2012, 1) and understanding neoliberalism means to understand how it changed our way of thinking (Lepenies 2022, 19). While we find a growing body of literature on capitalism in its ideological means (Piketty 2020; Fraser 2023; von Redecker 2020) and much research on neoliberalism as a paradigm (Blyth 2002, 2012; Laybourn-Langton and Jacobs 2019; Slobodian 2018, among many others), little has been said about the narratives of economic inequality within the neoliberal paradigm let alone colored by capitalist ideology.

2.1.4 Research Gap 4: Economic Elites

The call-for-papers-conference *Overcoming Inequalities in a Fractured World: Between Elite Power and Social Mobilization*, hosted by the United Nations Research Institute for Social Development (UNRISD) in Geneva in November 2018, was an indispensable and initial step to unite (geographically and in dispute) scholars from various backgrounds and all over the world. With its title that includes elites as important actors, it was of great importance. As Ben Phillips from *Fight Inequality Alliance* put it: UNRISD “had the courage to frame it like this first.”¹⁵ The statement holds true in regard to international organizations, but the history of the elites’ role in inequality (re)production runs deep – especially in the Latin American context. Contrary to political economists from inequality research with a primary interest for quantitative evidence and recently, for institutions and political factors, sociologists draw upon a long tradition of analyzing elites. Karl Marx and Max Weber are, according to Shamus Khan, the main scholars that allow for a differentiation in regard to two different schools of thought when discussing the sociology of elites (Khan 2012) – either in accordance with one’s possessions or to power in positions. Khan defines elites broadly as “those who have vastly disproportionate control over or access to a resource” (Khan 2012, 362). In his opinion, these actors are often the “engines of inequality” – studying elites “means studying power and inequality from above” (ibid.). In recent years, the “role of elites in the growth and reproduction of inequalities has received considerable attention” (Moraes Silva et al. 2018), including the elites’ influence on tax structures.

While ten to twenty years ago the particular influence of elites was rather assumed (e.g. Gates and Collins, 2002¹⁶; Nowatzki, 2012)¹⁷, research approaches, data, and methods became increasingly sophisticated (López 2018) and found a clear cut relationship between the elites’ power and tax systems that became less redistributive over the past half century. A study of US American elites

¹⁵ I was present at this event and unfortunately, cannot provide a source.

¹⁶ “It can be assumed that the small group of the extremely wealthy wields particular influence. Since those affected [in the US the top 1 percent] fight the taxation of their wealth with all means at their disposal, opposition to this tax is virtually a given. This, no doubt, helps to explain the political opposition to the inheritance tax, which can be seen from the role of lobbying groups in the debates over this tax (Gates and Collins, 2002).”

¹⁷ “Wealthy individuals and corporate interests that pay wealth taxes are highly motivated to reduce or abolish them and use their power to put tax cuts or tax repeal on the political agenda” (Nowatzki 2012, 405).

reveals that, not only are they able to shape policy outcomes, they also possess the ability to shape the agenda issues that come into consideration (Gilens and Page 2014, 576).

“When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have a miniscule, near-zero, statistically non-significant impact upon public policy.” (Gilens and Page 2014, 575)

The findings from Gilens and Page find much support: Miles Corak states that “[o]ur biggest worry about the top 1 percent should probably be their influence over the design and use of the tax-transfer system, which needs to be reformed for a new era of economic growth and income security” (Corak 2016, 405). Sharund Mukand and Dani Rodrik analyze the political economy of ideas on tax policy making in relation to the elites’ power to shape preferences:

“Our framework suggests that the implications of Gilens and Page are even more pessimistic than they suggest. In part this is because much of the congruence in preferences between the elite and the median voter may be the direct result of prior successful attempts by the elite in shaping voter preferences and attitudes through the production of memes [a combination of cues, narratives, symbols that channelize ideas].”
(Mukand and Rodrik 2018, 23)

Milanovic expresses similar concern, and states that American democracy is dead, and plutocracy born (Milanovic 2016, 190). Findings from Lea Elsässer et al. (2018) in “Government of the People, by the Elite, for the Rich” and from Noam Lupu and Zach Warner (2022) in “Affluence and Congruence: Unequal Representation Around the World” show that these abilities of elites are not specific to the US, but applicable to all democracies around the globe. In some countries, the elites’ role is not evidence from research, but an open declaration by politicians, as it was put forward by former president of Mexico Vicente Fox back in 2000, when he said that “this government consists of and works for businessmen”.¹⁸

Interestingly, most scholars that analyze economic inequality and elites in line with the power-and-position-based approach over the last years focus on economic elites (rather than political or bureaucratic elites). According to Tasha Fairfield (2015), their power is

“a critical and underemphasized variable in political economy... Analyzing tax policy with close attention to the power of economic elites advances our understanding of business politics and business power, state-society fiscal bargaining, and the relationship between democracy and inequality. These areas have sustained growing interest within comparative politics in recent years, yet much research remains to be done.”
(Fairfield 2015, 2, 16)

¹⁸ Original: “Gobierno de empresarios y para empresarios”; cited from Alba Vega 2020, 13.

Fairfield links economic elites' power with fiscal policy making processes, concluding that "when [economic elites] have strong instrumental and/or structural power, increasing taxes on income and wealth is difficult" (Fairfield 2015, 53). In line with Gilens and Page, Fairfield finds strong evidence that economic elites are key actors in shaping policy outcomes and the agenda.¹⁹ Comparing Chile and Uruguay, Juan A. Bogliaccini and Juan Pablo Luna show "how elites manage to consistently perforate redistributive initiatives" (Bogliaccini and Luna 2016, 4). Gilens and Page call the ability to shape policy outcomes the first face of power, and the ability to influence the agenda the second face.

Regarding the third face, which is the ability to shape the public's preference, the mentioned research cannot deliver any insights. A study from Julian Cárdenas and Francisco Robles-Rivera (2018), presented at UNRISD's conference in 2018, has been concerned with exactly this question, asking for the media capture by the economic elites in Costa Rica and Honduras. The authors find that media capture helps to explain why economic inequality is not seen as a high priority and that higher media capture correlates with higher inequality rates. For Germany, Florian Fastenrath et al. consider how long-term communication strategies by big business are understood as one of main reasons why it is so difficult to tax the rich (Fastenrath et al. 2021). Gerardo Daniel Reyes Tinajero shows vis-à-vis a network analysis how the economic elites (which he defines as the members of the CMN) have developed strategies to establish close and long-lasting relations with officials in top positions of the Finance Ministry (Reyes Tinajero 2020). These cited works are of tremendous importance as they leave no room for doubt over the power of economic elites in regard to all three faces of power.

Yet unfortunately, most scholars do not acknowledge a possible magnitude of varying ideas, norms, and values within the subtype of elites which might help to understand preferences over the design of public revenues. This leads to a mystification and a homogenous treatment of the group (Atria 2018). Only very recently has the idea that elite's ideas and interests will always converge been questioned (Moraes Silva et al. 2018; Atria 2018; Atria and Rovira Kaltwasser 2021). While most research treated them in unison, Moraes Silva et al. find that "the cohesion (or divergence) of elites is an empirical question" (Moraes Silva et al. 2018, 4). Moraes Silva et al. ask *Who supports redistribution? Why, when, and how?* (Moraes Silva et al. 2018) as they find cross-national differences not only in perceptions about causes and consequences of inequality, but also in preferences towards redistribution policies. Jorge Atria applies the normative framework of Jens Beckert and finds that it is important to acknowledge various perceptions and beliefs of the economic elite towards the public and private sphere (Atria 2018). And Gabriel Ondetti stresses that the elites' preferences have to be understood in the context of their ideology, shaped in its historical spatio-temporal context (Ondetti 2017).

As just presented, blatant research gaps in the field of economic inequality remain; it is thus indispensable to understand the interconnectedness of various aspects in order to explain its

¹⁹ Gilens and Page 2015; Fairfield 2010, 2013, 2015; see also Castañeda-Angarita 2014; Martínez Vallejo 2017.

trajectory. Various recent research projects link some of these areas I identified as research gaps and give important new insights. Interestingly, maybe due to the persistence of extreme levels of inequality, Latin American scholars seem more taken by the entangled nature of inequalities (Jelin et al. 2017). Already back in 2009 and for the region in general, Gómez Sabaini and O'Farrell (2009) stated that they

“agree on the existence of a vicious circle that includes (a) a socioeconomic structure marked by high levels of inequality, capital concentration and informality; (b) delegitimized political institutions strongly influenced by power groups, and (c) a fiscal system characterized by insufficient resources, regressivity and a limited capacity for reform” (Gómez Sabaini and O'Farrell 2009, 36).

As much as their model is convincing, unfortunately it leaves out three important aspects: the heterogeneity of power groups, the role of narratives over the articulation of preferences, and the ability to compare Latin American with other states. Another Latin American example stems from the Economic Commission for Latin America and the Caribbean (the Spanish acronym is CEPAL). In a working paper from 2012, Juan Pablo Jiménez and Andrés Solimano analyze economic elites, economic inequality, and taxation in an intertwined manner (Jiménez and Solimano 2012), and find evidence for the influence of the extreme wealthy, the limitations of imposing taxes on the rich, and empirical evidence of the huge importance of regressive and indirect taxes (in form of the Value Added Tax, VAT). Jorge Atria also connects taxes, elites, and inequality for the case of Chile (Atria 2015), finding that the influence of economic elites permits the maintenance of tax systems with regressive elements, and that discourses and everyday practices should receive more scrutiny. In his work for the conference of UNRISD in 2018, Atria turns towards narratives and presents results based on more than 30 interviews with members from the economic elite in Chile about the inheritance tax that builds upon and supports results from Jens Beckert (Atria 2018). In accordance with his findings, it is key to understand the normative justifications against the inheritance tax in order to see the inscribed contestation of the meritocratic principle and modern understanding of society.

Shortly after I began my thesis in 2019, the *London School of Economics* (LSE) launched a project on *Wealth, Elites and Tax Justice*, led by Mike Savage (LSE 2020). It will be of great interest to follow the five research clusters over the course of time. Meanwhile, I have been eager to design a research concept which incorporates the important elements of wealth inequality, the inheritance tax, and the narratives, especially those about wealth inequality and the inheritance tax of the powerful actors: the economic elites.

3 Setting the Scene

3.1 Theoretical Approach and Conceptualization

The literature on economic inequality is far away from a consensus (Acemoglu et al. 2015, 1953). Yet over the course of time, much progress in social sciences spawned comprehensive data in the research field so that – even though it has not been possible to reach a comprehensive agreement on all aspects – by a procedure of exclusion it became possible to state which theoretical considerations definitely do *not* comply with empirics within our social realities. On that note it has to be stressed though, that theoretical approaches never were all-encompassing within the academic realm (for reasons I will discuss hereinafter). However, the most important and irrefutable consensus that has been reached is that inequality *is* a problem. Political economists, sociologists, political scientists, psychologists, historians, and anthropologists all study the topic from a different angle with various foci. At the same time, it makes the impression that scholars follow their own call for further interdisciplinary work as economic inequality simply cannot be tackled if the phenomenon is not understood in all its entangled dimensions (Jelin et al. 2017). Even though scholars started their endeavors from different points of departure (following the particular logics of previous classic approaches within their field), they finally progressed in a complementary and convergent manner.²⁰ In this section, I will present the genesis of the most present and relevant theoretical considerations in regard to the identified research gaps. Doing so, I will derive and explain the theoretical choice of the present work that follows from a social endeavor across disciplinary boundaries.

The most important turn in recent inequality research was the acknowledgement that the phenomenon indeed is political in nature and that, beyond economic factors, political and social institutions within historical specific settings, norms and values, ideas and interests, belief systems and ideologies all play a pivotal role. In regard to institutions (which are of special interest in this work), a huge body of economic constructivist literature emphasizes the role of ideational and normal factors that contribute to bring about change (Blyth 2002, 2012; Abdelal 2009; Seabrooke 2007 among others). Over the last years, various political economists have taken the same line. Among them we find the most influential, of which many are critically opposed to the neoliberal paradigm. The neoliberal paradigm is increasingly dismantled in both empirical and normative terms.²¹ In the sense of Thomas Kuhn's paradigm change theory, the high number of anomalies of the old orthodoxy exceeded a critical value so that the dominant paradigm and its narratives came under pressure and new approaches arose (Kuhn 1970).

²⁰ See e.g. Stiglitz 2015 speaking of political economists who should consider sociological thinkers.

²¹ See e.g. Atkinson 2015; Acemoglu and Robinson 2012; Piketty 2014, 2020; Stiglitz 2015; Saez and Zucman 2019.

The new frame that views inequality and its extreme increases as a problem was a crucial trigger to start the scholars' search for new ideas and coherent narratives that may better explain reality. Psychologists found that people carry out moral decisions using narrative structures (Sarbin 1986) and that the mindset allows contradictions between meritocracy and inheritance societies to perpetuate and rise (Savani and Rattan 2012). The question to answer then is: How do our mind-sets and narratives come into being? While some stick to paradigms and ideologies as autonomous phenomena (Blyth 2012; Piketty 2020), others ask critically how those in times of growing inequalities may resist and why losers of the system accept the given paradigm (Heiner 2016). Scholars that reject the taken-for-granted ideologies apply various concepts which in large part rely on Antonio Gramsci's approach of hegemony. Sociologists in particular have paid close attention to the role of elites – mostly economic elites – in the power struggle over the hegemonic discourse.

My interest lies in understanding and explaining the role of inheritance taxation and the narratives of economic elites in regard to wealth inequality. I thus will rely on critical constructivism since it enables me to bridge structure (inheritance tax) and agency (elites) in a dialectical formula, considering that narratives will, more often than not, reflect those of the elites rather than those of the mainstream. In the following section I will trace the journey towards the elements of my model, which I will conceptualize in accordance with the theoretical considerations.

3.1.1 Theoretical Approach

For my theoretical model I will clearly stress the assumption that I understand inequality as a political phenomenon which must be understood within its particular political and historical context. In order to carefully construct my model, I will begin with Thomas Piketty's C21 (Piketty 2014). Piketty belongs to the group of economists who "understand politics as being outside of economics, and able to change the course of events" (Linartas 2018, 54). Whereas many economists and historians

"subscribe to what Ulrich von Weizsäcker stated in a speech in 2012: that it is the economy that sets the tone what 'Politik' has to do ('Es ist die Wirtschaft, die der Politik die Hausaufgaben diktiert', von Weizsäcker, 2012)... others believe politics to be exogenous; a sphere for itself according to the definition that it is politics that defines the generally binding rules for a society – fiscal policy included." (Linartas 2018, 56)

Following Piketty, the main cause for the *decline* of economic inequality in most OECD states lies in the history of the twentieth century. The "drama of the thirty years war" (Charles de Gaulle 1946, cited after Scheidel 2017, 130) from 1914 to 1945, two world wars, the world economic crises, and inflations caused a severe destruction of capital and policy changes which lowered the levels of inequality (Piketty 2014) and paved the way for the "triumph of democracy" (Weber

1950, 325-326; cited after Scheidel 2017, 167). Paradoxically, the triumph of democracy had found its way in such states that participated in the wars. I label these states in accordance with Walter Scheidel (2017) as belligerents (including e.g. Germany, France, the US) as opposed to non-belligerents (likewise Latin American states).

The present experience of steadily rising inequality of belligerents stands in strong contrast to the persistent high level of inequality in non-belligerent states. In C21, Thomas Piketty offers a plausible explanation. His book is based upon one central equation: $r > g$, where r is the rate of return on capital and g stands for the rate of growth in an economy (Piketty 2014, 25). This formula applied to reality is easy to grasp:

“[A] person that inherited a huge fortune may lay back and see her wealth increase by good investment whereas in contrast the average person relies on income from work. Over the long haul, the gap between the two will rise and economic inequality will grow.”
(Linartas 2018, 11)

While belligerent states experienced a severe capital destruction and thus $r > g$ converted into $r < g$ (in part because accumulated capital over generations was destroyed and could not generate new income), in reverse it means that, in non-belligerent states, a stable and long-lasting relation of $r > g$ created perfect conditions for an inheritance society (Piketty 2014, 351). As can be seen, various works suggest that mass warfare played a large role in both establishing and weakening the inheritance tax (Piketty 2014; Scheidel 2017; Steve and Stasavage 2016). According to Walter Scheidel, the apocalyptic horseman in the form of war²² was necessary and worked as a catalyst for policies that would foster reductions of inequality; even if a state (likewise Sweden) did not directly participate in the world wars, demands for and an establishment of progressive fiscal policies would arise (Scheidel 2017, 164). Kenneth Steve and David Stasavage go so far as to assume that "the rise of inheritance taxation can best be understood by the arrival of an era of mass warfare. Its eventual demise can likewise be linked to the end of that era" (Steve and Stasavage 2016, 110). To examine the role of mass warfare, I will ask about a belligerent and a non-belligerent state: how did inheritance taxes evolve against the background of mass warfare in contrast to times of peace?

As I am interested in the concept of inheritance society, defined as “a society characterized by both a very high concentration of wealth and a significant persistence of large fortunes from generation to generation” (Piketty 2014, 351), I will focus my analysis on wealth and inheritance. I follow Thomas Piketty in using wealth and capital interchangeably, as if they were synonymous (Piketty 2014, 47), defined as the sum of nonfinancial assets and financial assets, less the total amount of financial liabilities (debt). In the formula $r > g$, wealth is covered by r being the return on capital and should, being one out of two components, receive much attention. All the more as its

²² For Scheidel, massive wars are to be understood as one out of four apocalyptic horsemen, accompanied by revolution, state failure, and plague (see Scheidel 2017, 113-209); for a summary on Scheidel’s work, see Linartas 2018, 40-48.

consideration will “enhance greatly our theoretical understanding of the sources and consequences of inequality. Alternative measures of wealth consistently uncover both depths and patterns of inequality that income conceals” (Oliver and Shapiro 1990, 147).

As mentioned before, wealth reflects both assets built up within the current life cycle and the ones built up by previous generations. When capital was destroyed to a tremendous extent, previously accumulated capital over generations was also sharply reduced. However, it is not inheritances per se that are of interest to me, but the inheritance regulations and taxes, as “[t]axation is one of the most fundamental and influential institutions in all modern societies” (Gaisbauer et al. 2015, 1) and, with its help, states might prevent a development (or an ongoing) inheritance society.²³ While the world wars were an important factor, Piketty proves that these were not the most crucial impetus for the decline in wealth inequality. Even in Germany and France, where the destruction was devastating, the decisive events explain only part of the lower wealth concentration; not more than between a quarter and a third in Germany and France and a few percent in the UK (Piketty 2014, 196). Albers et al. attain the same result for the German post-war wealth distribution: the destruction of physical capital was not the main levelling factor. Instead, they find that redistributive tax policies were key (Albers et al. 2020, 23).

Table 3.1: Step 1 – Stylized arguments of Piketty (2014) and Weber (1950)

	<i>Capital</i>	<i>Capital concentration</i>	<i>Taxation</i>		<i>Income/Wealth Inequality</i>
<i>Belligerent, after 1945</i>	Destroyed →	Low →	Progressive	→	Low/low

Table 3.2: Step 2 – Modified argument

	<i>Capital</i>	<i>Capital concentration</i>	<i>Taxation</i>		<i>Income/Wealth Inequality</i>
<i>Belligerent, after 1945</i>	Destroyed →	Low →	Progressive	→	Low/low
<i>Belligerent, 2020</i>	Recovered →	High →	Less progressive and dual ²⁴	→	Rising/high
<i>Non-belligerent</i>	Not destroyed	→ High →	Regressive	→	High/high

Sources: own compilation.

²³ Because many tax systems might be in theory and design progressive, yet in practice loopholes and exemptions could be more effective than its effects on redistribution, the design of the system is a necessary but not sufficient condition to face wealth inequality. I thus will focus on the outcome and evaluate the tax system’s efficiency by its percentage of tax revenue.

²⁴ Germany: Since 2009, mobile (e.g. capital) and not mobile (e.g. income) are taxed according to a dual taxation system.

The analysis of legislative changes, mechanisms of taxation, and the revenues are a prerequisite, yet insufficient if the interest lies in *explaining*, rather than describing, high and persistent levels of wealth inequality. Low/high levels of capital concentration do not automatically lead to progressive/regressive taxation. Taxes after the world wars indeed reached unprecedented high levels: quasi-confiscatory top marginal income tax rates of up to 95 percent and high inheritance/estate taxes in the 60 to 90 percent range in Germany and the US were designed not only and not in the first place to raise the state's revenue, but to reduce inequality (for Germany, see ch. 4.2 , for the US, see Saez and Zucman 2019, 37) and to build a strong welfare state. How was such a policy change possible?

Social scientists speak in this regard of a policy paradigm change, as we observed more than just incremental changes in the policy but a change in the goals altogether. I define a politico-economic paradigm, for reasons of simplicity I use the term paradigm only, in accordance with Laurie Laybourn-Langton and Michael Jacobs as “a dominant group of ideas ... [which] can exert a powerful influence over academic and media debate, and over the institutions of policymaking, both national and international” (Laybourn-Langton and Jacobs 2019, 3). Most work on paradigm shifts rests upon Peter A. Hall's *Policy Paradigm, Social learning, and the State* (Hall 1993; see Berman 2013). As Mark Blyth states, Hall's work ranks “as a defining contribution to the fields of comparative politics and comparative political economy ... encouraging scholars of quite different analytic persuasions to take seriously [a new subfield of study, the] politics of *economic ideas*” (Blyth 2012, 197-198, italics by the author).

Hall's concept of policy paradigms derives from the observation that, whenever national interests are the answer to the question or what policy makers are driven by, one has to understand how the national interest comes into being. Paradigms are “ideational structures of internally consistent and coherent understandings of the world and how it works” (Clift 2014, 157). What Hall provides then to understand changes within and of paradigms is “the concept of policymaking as social learning ... [where] policymaking is a form of collective puzzlement on societal behalf” (Hall 1993, 276). Social learning is defined as “a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information” (Hall 1993, 278). Hall's concept recognizes and insists upon the significance of ideas to policy making (Clift 2014, 147) and is heavily influenced by Thomas Kuhn's theory of paradigm shift in the natural sciences (Kuhn 1970).

Kuhn's theory has moved social and psychological considerations to the center of the scientific process. According to Kuhn, change occurs depending on two conditions: First, anomalies within the dominant paradigm have to exceed a threshold in frequency or importance; and second, an alternative theory must be able to better explain the phenomena of which the old paradigm fails to give sufficient proof. As important as Kuhn's concept is, it needed an accurate application to the social and political realm which is qualitatively different from natural sciences. While we can assume a geocentric system of the world – as humankind did for several centuries – our false theory does not change the fact that the earth revolves around the sun. When Copernicus' heliocentric

model replaced the old one, nothing changed “out there” in the “real world”. Yet in social sciences, proofs, derived in accordance with the logic of a certain theory in the field of economic and public policy, exert influence as language can shape behavior and words may inform agents about the appropriateness of certain actions and decisions. As Jacqueline Best states, language may “encourage and reinforce certain economic actions and expectations and ... put economic ideas into practice” (Best 2007, 23). Thereby, governments not only act and thus “power” but, as Hugh Hecló argues, “they also puzzle” (Hecló 1974, 305). They decide upon what is of interest and what is acceptable (Campbell, 1998, 378; cited after Clift 2014, 157). As Susan Strange put it, a study of “non-decisions” is also of interest since the failures to take decisions also affects the outcomes of the political economy (Strange 1994, 22).

The application of Hall’s concept of change differentiates between three orders of change in which different actors and learning processes were involved. In the first and second order of change, adjustments or changes were “clearly a response to [an existing] policy” (Hall 1993, 288), where the learning process was accomplished by experts and agents within the state. The third order of change stays for a shift in the policy goals which cannot be explained solely by a learning process within the state and its agency which reacted to past policies. Instead, new ideas, broader societal conflicts, and debates heavily influence a different learning process on a supranational level. This third order of change corresponds to a paradigm shift away from the previous existing orthodoxy. However, as Blyth shows, due to Hall’s borrowing from Kuhn, Hall uses both empirical and discursive elements to explain change. In Hall’s view, a paradigm succeeds due to empirical failure being sufficient, whereas the sociopolitical and discursive elements carry little causal weight. “Yet if paradigms are incommensurate bodies of knowledge, ... then empirical failure cannot be a sufficient criterion of ‘truth’ because one person’s proof is another’s irrelevance” (Blyth 2012, 203).

Trying it the other way around, which is, assuming empirical failure as a necessary condition, and sociological and discursive factors as sufficient conditions of change, also cannot explain change, as different paradigms will call for different empirics to be the valid and substantive ones. Crises are, in Friedman’s words, necessary. But these do not have to be actual. They might also be perceived (Friedman 1982 [1962], xiv). What matters is the choice between theories, as following the idea of Hecló, these decide upon the puzzle that needs to be solved. While math equations work because we all agree to the same rules and the same logic, rules between paradigms in the realm of political economy differ and are ultimately “more sociological, value driven, and deeply political, than we often admit” (Blyth 2002, 204). Blyth dissociates himself from the rational, empiric factors as either necessary or sufficient and instead argues for discursive change being both.

“[I]t is through this [discursive] mechanism that actors construct and contest which empirical anomalies matter and which ones do not. Governments may both ‘power and puzzle’, but successful ones authoritatively dictate what a puzzle *is* and how power should be applied to solve it.” (Blyth 2002, 204)

To strengthen his approach, Blyth analyzes the global financial crisis in 2008/2009 and thereby presents five reasons why there was *no* paradigmatic shift – even though the first and second order of change occurred (policies were adjusted and changed) and the third order of change came into play, when, as Blyth says, for several months all became Keynesians. In a nutshell, his five reasons are: path dependence; that there was no strong alternative which could replace the old paradigm; that disciplinary incentives left principles (of economics) largely unchanged²⁵; the power of old ideas kept shaping the perception of the fact; and the power of authority and further challengers that fight continually against the old paradigm were missing.²⁶

“Thirty years of spectacular return and pseudo-stability (Taleb and Blyth, 2011) had convinced every recognized authority, from the Organisation of Economic Co-operation and Development to the [European Central Bank (ECB)], from the Bank of International Settlements to the [International Monetary Fund (IMF)], from the Swedish Riksbank to the U.S. Federal Reserve, that markets were rational, prices were right, and *their* policies were optimal.” (Blyth 2012, 201, italics i.o.)

He finally subsumes that it is politics and authority instead of economics and facts that decide on maintenance or change of a paradigm.

Why it is narratives

In contrast to Michel Foucault (analyzing discourses), Piketty (analyzing ideologies), and Blyth (analyzing paradigms), I will focus on narratives for five reasons:

First and foremost, speaking of discourses and narratives, I must explain why I do not focus on discourses in total. According to Michel Foucault's genealogical-critical concept, a discourse is that set of statements "insofar as [statements] belong to the same discursive formation" (Foucault 1988 [1969], 170). We are dealing with a discursive formation when "one could define a regularity in the objects, the types of utterances, the concepts, the thematic decisions" (ibid. 58). A thorough and appropriate discourse analysis after Foucault (as e.g. discussed in *The Archeology of Knowledge*, 1988) would be too extensive. It would have meant that, in addition to analyzing the narratives (in their form and function) and the archaeological description (in the sense of the history of ideas, contradictions, changes), I would also have had to analyze first the discursive regularities. Yet to carve out the formation of the modes of expression, "the material rules that delimit the substantive boundaries of what can be said about the domain in question" (Lawlor and Nale 2014, 13), as much as concepts and strategies of the actors in question – this task would go beyond

²⁵ Thus "adding incrementally to the existing corpus of knowledge rather than nailing contrarian theses to the disciplinary door is the way to succeed" (Blyth 2002, 209).

²⁶ For an analysis of the changes from Keynesian to neoliberal orthodoxy which also applies Hall's concept, see Laybourn-Langton and Jacobs (2020).

the scope of my research question and would not have been feasible for me in the context of a doctoral thesis for a comparison of two states over one hundred years.

Second, the argument against a thorough discourse analysis also applies to ideologies. As to be clear what I mean by ideology: Ideologies form the foundation on which paradigms and narratives may evolve and gain a foothold. An ideology sets the logic that the paradigms and narratives must follow and within which institutional infrastructures and processes can evolve. As an example, I understand capitalism and socialism as two ideologies, whereas the tenets of Keynes and neoliberalism are two paradigms that work within the capitalist logic but would not flourish under communism. Both paradigms – the Keynesian and the neoliberal – accept the premises of a state and a market, which must be calibrated in relation to each other, but leave fundamental principles such as private property untouched and accepted while other dimensions (such as those of ecology or the environment) are not considered.²⁷

Ideologies are very broad phenomena. They encompass “certain core concepts, values, political ambitions, dominant narratives”, but also “identities, myths, memories, stereotypes, epistemic rules, beliefs about matters of fact, rhetorical repertoires, strategic preferences, exemplars, expectations, horizons of possibility, images, lived experiences and so forth” (Leader Maynard 2017). As I am specifically interested in the inheritance tax, one policy alone cannot contain all elements or be an accurate expression of these. It thus makes sense to approach attitudes and principled beliefs on inheritance tax on a level that allows for a coherent in-depth analysis and which at the same time has to be understood as an integral part of a comprehensive ideology, thus helping to understand it.

Third, while the neoliberal approach is contested in academia, its logic and functions are still in place. However, neoliberalism is not an ideology, it is a paradigm and a testimony of a capitalist ideology. It is important to make that distinction, as the research program of ideologies and paradigms has to be shaped differently. Wolfgang Merkel (2014) distinguishes three forms of capitalism: libertarian, social, and neoliberal. The epithets can describe capitalism in more detail; but one can also use these epithets to identify the dominant paradigms, as Alfie Stirling and Laurie Laybourn-Langton do: as the liberal, the social, and the neoliberal economic paradigm (Stirling and Laybourn-Langton 2017). When speaking of the fundamental changes in the political economy in the twentieth century, we observe paradigm changes, as for instance the paradigmatic shift from demand-side Keynesianism to supply-side neoliberalism.

An ideology goes further and deeper than a paradigm; changes in paradigms are accordingly more common and easier to bring about than establishing a new ideology. While an ideology

²⁷ It would also be conceivable to include other dimensions, such as the environment (in line with Eva von Redecker, explicitly the “*Mitwelt*”, not the “*Umwelt*”) and hence to calibrate the relationship between the public, the private, property and the planet. But that has not happened in hegemonic discourses in modern history. Furthermore, one can ask whether capitalism would allow for it (but that question cannot and will not form part of this contextual chapter). What is certain is that natural resources were taken for granted, so extractive forms of capitalism were definitely possible.

encompasses general social values and norms, which go far beyond economic and financial policy, a paradigm specifically provides an orientation for financial and economic policy (which reflect essentially, if not only, notions of various elites). In consequence, concepts of fiscal policy and taxes may be derived directly from paradigms: depending on the nature of tasks that are assigned to the state (in the sense of the level of the welfare state), taxes are designed in terms of their type, their extent, and in relation to one another. Their justification finds its expression in their according narratives. Narratives play into both ideologies and paradigms and are a fundamental element of the discourse. It is the narratives that have to be understood in a first step if the interest lies in explaining (possible) changes in the political economy.

Fourth, the study of narratives allows one to analyze the normative justifications pro and contra the inheritance tax and the overall “normative fabric of societies” (Beckert 2008, 521). Various norms, defined as “collective understandings that make behavioral claims on actors” (Checkel 1998, 327-328), feed into a narrative and help to explain preferences of actors over redistributive policies. As Jens Beckert states, economic interests of economic elites alone seem to be inadequate to understand why some very wealthy are in favor of inheritance taxes, while many who would never be affected by higher inheritance taxes are strongly opposed to them (Beckert 2008, 523). Beckert finds four various principles in different state contexts that help to differentiate outcomes and discourses in the US, France, and Germany.

For Germany, Beckert finds that “the opposition to inheritance taxation is grounded primarily in the family principle, which makes inheritance taxes seem like an illegitimate interference on the part of the state in the sphere of the family” (Beckert 2008, 526). For the case of Chile, Jorge Atria finds that perceptions and beliefs of the economic elite place family over social interests (Atria 2018, 16). The elites thereby not only express economic, but also philosophical, political, and legal arguments, stressing the inefficient and corrupt character of the state. Tracing values and norms alone would conceal the interplay of various arguments; yet taking narratives as a corpus allows one to consider arguments, norms, and values as a whole.

And fifth, narratives are particularly suitable to contextualize every step in the history of a policy in ways that make the entire processes of persistence and change visible and allow for the incorporation of nuanced detail and sensitivity to unique events (Büthe 2002, 486). This may be necessary as it allows the incorporation of further elements which might be important beyond the model. Furthermore, with a focus on narratives, I follow the call of Robert Shiller from *Narrative Economics* which has the potential to improve the ability to predict, prepare for, and lessen the damage of future major economic events – and likewise unprecedented levels of wealth inequality.

Narratives carry ideas, values, and norms, and affect individual and collective behavior. As shortly stated in the introduction, they are the stories we tell. Narratives

“refer to the ways in which we construct disparate facts in our own worlds and weave them together cognitively in order to make sense of our reality. ... Insofar as narratives affect our perceptions of political reality, which in turn affect our actions in response to or in anticipation of political events, narrative plays a critical role in the construction of political behavior. In this sense, we create and use narratives to interpret and understand the political realities around us.” (Patterson and Monroe 1998, 315-316)

In concrete, this means that narratives may have an explanatory power for preferences over the design of the tax system in general and over the inheritance tax in particular. Cohesive narratives that are based upon the same basic ideas gain in importance and strength and mutually reinforce each other. New viral narratives may have an explanatory power for economic events, while vice versa economic events may change the narratives. Whether a narrative is true or false does not necessarily matter; narratives, as Jerome Bruner states “depend in only a trivial way on truth in the strict sense of verifiability” (Bruner 1996, 90; see also Shiller 2019, 95-96). Narratives are sticky and even scientific results that prove them wrong might have less weight in the perception of actors as it is narratives – not data and facts in the first place – according to which we interpret and create politics and policies.

The stories people tell, whether true or false – about housing booms, the American dream, or Bitcoin – affect economic outcomes (see Shiller 2019). The study of narratives enables one to explain the exact historical development of the perception, legitimacy, and design of policies, and reveal a (future) orientation of political projects. A mere analysis of the legal texts of certain policies would only selectively indicate how the existing structure was previously thought of; whereas narratives enable an understanding of the dispute and help to analyze whose opinion ultimately carried more weight in the political discourse (in terms of the drafting of the laws). Narratives can be explicit in the sense of an argument (“y is good because of x”), but they can also implicitly indicate the attitude towards a policy (“you can make it if you really try”, in the sense of an individualistic empowerment).

The stuff that narratives are made of are intrinsically ideological – in other words, the generally applicable social values and norms and the understanding of how we want to see the most important factors in relation to one another. Narratives are expressions of ideologies, not necessarily those of a paradigm; an important distinction to make because it makes clear that narratives can also express values and norms that are not only related to a particular policy. They can support a policy but can be much more general than just related to one topic. Thus, if according to a narrative everyone is the architect of his or her own fortune, this is an expression of a multitude of values and norms, such as individualism (it counts the diligence of the individual, the actor and not the structure) and a conviction of a meritocracy (performance counts). At the same time, this narrative also suggests that the state should play a weak role in the public-private relationship (in terms of individualism and individual freedom), which in turn suggests low taxes, etc.

Repertoire of narratives

For the analysis of narratives, I will modify the theoretical and practical concepts of Lamont and Thévenot (2010), Jens Beckert (2008, 2013), and Beckert and Lukas Arndt (2017) on inheritance taxes. Lamont's and Thévenot's concept of *repertoires of evaluation* allows one to ask for arguments and to focus specifically on "the content of criteria or orders of justification used to draw boundaries between the more and the less valuable [and] whether and how different criteria compete with one another and are used in conjunction with one another" (Lamont and Thévenot 2010, 6). In their analytical approach, Lamont and Thévenot explore how and how often generalized arguments ("that is, arguments which make some claim to general applicability by reference to different sorts of values, principles, or models for judging what is good, worthy, and right", *ibid.*, 236) and modes of justification are used, systematically categorizing and comparing in detail the dynamics and types that evolve. In contrast to narratives, generalized arguments are direct and concrete, while narratives, as defined above, might also be indirect and an expression of underlying different sorts of ideas, norms, values, principles, or models.

Analyzing narratives means in this regard to broaden the focus. My approach encompasses to trace, quantify, and qualify narratives within a concrete field of interest as to identify the *repertoire of narratives* (RON). In order to explain this new concept, I must anticipate a bit at this point and explain the methodological approach. By quantifying I mean that I will identify narratives, count those, and thereby check for their weight within a paradigmatic time: Which narrative has been addressed most often, which narratives are in comparison to the strongest applied very often and thus strong, which moderate, and which narratives are weak only? For the quantitative classification I apply the following counting: The strongest narrative serves as benchmark. The frequency of the other narratives is measured against the strongest. Narratives that occur more than 75 percent of the time compared to the most frequent narrative are considered strong; narratives with a frequency of between 25 and 75 percent are moderate; those with a frequency of less than 25 percent are weak. To give an example: If the strongest narrative occurs 40 times, a narrative mentioned 35 times would be strong; a narrative used 25 times would be a moderate narrative; a narrative mentioned five times would be weak. All narratives that are at least moderate, strong, and also the strongest narrative, form together the *repertoire of narratives* (RON). I am interested in identifying the RON of both sides; of the ones that are either in pro or contra the strengthening of the inheritance tax.

The concept of *repertoires of narratives* (RON) allows one to analyze the coexistence and interaction of the most frequently used narratives of pro and contra groups. The way to find these RON might and should always start deductively if research on the topic of interest exists, but the search for the entire bouquet must be carried out empirically in an inductive way.

The question is than how to categorize narratives in a qualitative way. Given that research on the topic of the inheritance tax discussed various narratives in concrete, it is possible to use these

findings (e.g. from Beckert 2008, 2013; Beckert and Arndt 2017 on Germany among others and Atria 2015 and 2018 on Chile) as both a starting point and a corrective. In his work from 2008 and 2013, Jens Beckert focused on the national cultural principles and found different principled beliefs and repertoires across countries. These differences may only be understood with recourse to culturally shaped frames of perception that are based upon different values, beliefs, or ideas:

“[P]references for specific institutional regulations articulated by actors in political discourse are shaped by culturally anchored repertoires. The repertoires available to actors, I argue, are specific to (national) contexts. ... The repertoires form a cognitive background against which problems are perceived and propositions for specific legal regulations are justified.” (Beckert 2007, 11-12).

Whereas back then, Beckert searched for country-specifics, I will look at both national and elite groups' narratives, thus it is probable that I may find further and more detailed narratives, dynamics, and frequencies. In 2017, Beckert, together with Lukas Arndt, analyzed arguments by citizens and found many more than the four specific principles (Beckert 2008). Beckert's and Arndt's identified arguments are classified in different categories: values based, macrosocial, dissatisfaction and suspicion, envy and resentment, property preservation. With this list, I am equipped to look for narratives that are most frequently used and classify the ones in debate according to the five categories.

As Shiller argues, in most cases, narratives are connected with famous politicians who were its proponents and who spread these narratives, causing them to “go viral” (“viral narratives need some personality and story”, Shiller 2019, xii). However, these people were usually not the inventors of these narratives and most often we will never know who the inventors were. However, the neoliberal movement represents a very well-studied exception as, among others, Blyth, Best, and Laybourn-Langton and Jacobs show:

“The neoliberal movement started with the Mont Pèlerin Society and thus with the intellectual and academic component. It then built a coherent narrative and key policy proposals to spread its ideas, prosecuted by a well-resourced ecosystem of institutions and networks mobilised to influence public debate and political processes. It was put into practice following the election to government of parties with which it had considerable influence – notably those of Margaret Thatcher in the UK and Ronald Reagan in the US.”
(Laybourn-Langton and Jacobs 2019, 5-6)

What Blyth assumes about the causal and constitutive role of ideas in contrast to empirics (which cannot be understood as neither necessary nor sufficient), finds support in Shiller's propositions of narratives. According to Shiller, narratives do not stand alone for themselves, but form a constellation based upon basic ideas, values, and norms that reinforce various narratives, keeping the status quo of the paradigm and ideology in place. This way, narrative constellations have more

impact than any one narrative (Shiller 2019, 92), which in turn makes changes in paradigms so difficult. What Shiller calls constellation (unfortunately without being explicit about the concrete possibility to identify and analyze such constellations), I call *repertoire of narratives*. However, it is for exactly the reason brought forward by Shiller that a paradigmatic shift is difficult to reach: New narratives first need to pervade, grow in quantity, be based on the same norms, values, and ideas as to create an alternative of the old RON and as to become so strong that they might question the orthodoxy. Only when such a RON arises, new paradigms might stay a chance. One or a few narratives, or even narratives that are inherently not based upon the same fundament, cannot constitute a new paradigm; the orthodoxy remains in place.

Bringing in the critical perspective and elites

In regard to the third order of change, a paradigm shift, Blyth considers that “[t]he third order is autonomous, and it is the incommensurate nature of rival claims that matters most of all” (Blyth 2012, 211). If Blyth by autonomous means that the third order is autonomous from “normal science” and might change irrespective of the first and second order of change (that it is autonomous in the sense of rivaling approaches with their own logic, basic ideas, and norms), I follow his argumentation. I assume that he means autonomous in this regard.²⁸ But unfortunately, Blyth leaves room for (mis)interpretation. He could also, in a qualitatively different sense, mean by an autonomous paradigm the same that Thomas Piketty means when speaking of the realm of ideas and the political-ideological sphere as “truly autonomous” (Piketty 2020, 7). I take a critical view of this.

If paradigms, and ideologies were autonomous, and if incremental change would be the best way to launch a change – as Blyth and Piketty advocate – why and under which conditions should powerful actors change their minds and camps if, following their paradigmatic and/or ideological predisposition, it would be nonsensical to do so? And why should the majority cling to the old orthodoxy if most of them belong to the group of losers of the existing system? Why should the middle class and the socio-economically weaker in society share the same narratives and paradigm if they feel socially shaken off, so that narratives and paradigms lose legitimacy for the simple reason that their promises have not been kept? And finally, and due to the topic of this dissertation, why should the majority stick to old narratives and be against inheritance taxes, if inheritances openly contradict the very idea of meritocracy, while higher revenues through inheritance taxes would help to preserve equal opportunities for all – finally enabling a meritocratic base for society? The fact that the winners of the system want to hold on to the status quo could still be understandable from a purely rational perspective (which I would question, too, as I follow Beckert in his argumentation that economic reasons are not sufficient to explain preferences of the wealthy, e.g. thinking of Andrew Carnegie). But why should the middle class favor the rise of an inheritance

²⁸ This might be derived from his statement that a struggle over paradigm might be independent of changes on the first and second order of changes.

society? As John O'Brien clearly states: "Universally applauded false storytelling quiets common objection to current practices. Radical wage and wealth inequality are accepted as not only normal but morally 'right'" (O'Brien 2020, 1314). Yet why is this the case?

After Blyth's important analysis and reinterpretation of Kuhn and Hall, he stops at the point where it would be particularly interesting. He himself is concerned with whether "[t]he 'truth' about the crisis and the ideas that made it possible really does depend upon what the most powerful members of a group (or society) consent to believe" (Blyth 2012, 211). In the same vein, Gerhard Fink and Maurice Yolles speak of emergent powerful groups that "challenge the dominant paradigm holders and their framings" (Fink and Yolles 2012, 199). Daron Acemoglu and his co-authors review the standard and seminal Meltzer-Richard model of 1981, whose theoretical framework predicts that an extension of the voting franchise and a shift of the median voter towards poorer segments should lead to an increase in taxation and redistribution and thus reduce inequality. Yet the relationship between democracy, redistribution, and inequality is much more complex than the standard model suggests (Acemoglu et al. 2015, 1887). Their extensive literature review and their findings indicate that democracies indeed achieve higher revenues by means of taxation as fractions of GDP, but they have not found robust evidence that democracies reduce economic inequalities (Acemoglu et al. 2015, 1954). Scheve and Stasavage reach the same result by analyzing France's transition during the nineteenth and early twentieth century:

"The most important evidence ... is that wealth inequality did not decrease during the first two decades of the Third Republic and then significantly increased in the subsequent two decades, with the top 1% wealth share reaching 60% in 1910. A 40-year period of democracy and high inequality seems inconsistent with the idea that democracy and wealth equality necessarily go together." (Scheve and Stasavage 2017, 458)

In an earlier work, Daron Acemoglu and James A. Robinson constructed a model to explain change in political institutions in democracies and found that "a democratic regime may survive [as] a pattern of 'captured democracy' arises, whereby democracy endures, but the elite are able to have a disproportionate effect on equilibrium economic institutions" (Acemoglu and Robinson 2022 [2006], 57). Mukand and Rodrik (2018) develop a theoretical framework to explain how this may occur. Following their model, a rise in inequality stems from successful ideational politics by the elites. "The returns from discovering a policy meme that persuades the median voter, for example, that lower taxes are in the interest of not only the rich, but also the low-income voter are much higher" (Mukand and Rodrik 2018, 7). Memes are defined as a "combination of cues, narratives, symbols or targeted communication that channelizes ideas to voters" (ibid., 11). This critical understanding of a constructivist political economy is based upon the notion that the ideological realm is "a determining sphere of action which has to be understood in its connections with material power relations" (Cox 1981, 141).

The “investigator” of this new thinking in critical political economy, as Ben Clift states, is Robert W. Cox (Clift 2014). The critical perspective allows one to question the taken-for-granted assumptions and conventional wisdoms and notions. As Charles Quist-Adade presents, the critical approach differs from social constructivism “in that it emphasizes the role of elite interests in the reality construction” (Quist-Adade 2019, 162). This can be done by using Antonio Gramsci’s concept of hegemony: “the process of control and domination by the ruling elite through consensus of the controlled/dominated” (ibid.). It is important to stress that hegemony means more than just state dominance:

“It appears as an expression of broadly based consent manifest in the acceptance of ideas, supported by material resources and institutions, which is initially established by social forces occupying a leading role within the state.” (Morton 2003, 156)

The Gramscian perspective considers the historical construction of various forms of state and political struggle in its particular social context: “[I]deologies are anything but arbitrary; they are real historical facts which must be combated and their nature as instruments of domination exposed” (Gramsci 1995, 395; cited after Morton 2003, 168). Contrary to the Marxist school of thought, which assumes that the dominant capital class forces absolute control of ideological and cultural discourse, the concept of hegemony by Gramsci proposes that the power elites “shape and win consent so that the [outcome] appears both legitimate and natural” (Quist Adade 2019, 164).

Legitimation is key, as Anthony Giddens (1984, 15-16; for an overview, see Myers 2006, 41-46) explains when he differentiates between three different and major social structures:

1. Signification – also called metanarrative or ideology.
2. Domination – which involves the unequal distribution of allocative resources in society.
3. Legitimation – based on the premise that both elites and the masses understand these as such.

As long as underlying norms and narratives remain legitimate, the overall (political and economic) structure may persist unchallenged (Myers 2006, 45). Yet, as has been emphasized, the trend of rising economic inequality is broadly understood as a severe, if not one of the biggest challenges of our times and, as such, legitimation is highly contested. If we understand structures as social products, in the light of a widening gap between poor and rich, the structures created in the past decades represent progress at the expense of the weaker members of society. If legitimation is questioned – and this is a broad consensus we find – constructivism needs to be complemented by another approach that might help to emphasize the role of the groups a step above legitimation: domination, encompassing the ruling elites that decide over political and economic actions and the “rules of the societies game”. Following Robert Heiner, critical constructivism

“holds that the way social problems are constructed, conceived, and presented to the public, more often than not, reflects the interests of society’s elite more than those of the mainstream and often at the expense of those with the least power.” (Heiner 2016, 10)

This perspective allows for a critical approach towards conventional notions. In accordance with a critical approach, I must incorporate elites and their narratives into my theoretical model. However, as stated above, the hegemonic paradigm, encompassed by the narratives of the powerful elite, remains open to challenge by oppositional narratives if the present one loses its legitimation. Such contestations might stem from the elites themselves if they come to realize that old narratives become incompatible with their own principled beliefs. On that note, what the theoretical model (table 3.1 and 3.2 on page 38) still misses are elites. By incorporating elites as key agents, I emphasize “the significance of mutual constitution of agents and structure” (Jung 2019, 3), which are “neither constituted nor constitutive but both simultaneously” (Schmidt 2008, 13), thereby treating narratives of the elites as an important empirical question.

As mentioned above, there are two major ways to think about elites. Either elites may be defined relative to the resources and power they possess in line with Marxist thought (resources and power in society might come in material, symbolic or cultural form, see Bourdieu 2010 [1984]; Khan 2012; Reis and Moore 2005). Or elites might be defined by their important position within political relations related to the Weberian notion of power (Higley and Burton 2006). While in the European and American context, scholars (and especially political economists) focus more on the resources and wealthy or rich at the top, speaking e.g. of the top 1 percent²⁹, especially in the Latin American context, the differentiation of elites according to their position has found more approval³⁰. Depending on the topic and question of interest, one or the other makes more sense. In the scope of this work, I will follow the power-based approach, due to the following reasons that Matias López presents:

“Regarding the study of inequality, the power-based concept of elites holds an analytical advantage over the resource-based concept because it prevents tautologies (e.g. elites reproduce inequality but are also defined by inequality). Another important trait of the concept of elites is the possibility of subtypes, differentiated by their power sources, such as the economic elite, the political elite, the bureaucratic elite, and the military elite.”
(López 2018, 3)

I follow López (2018) and Graziella Moraes Silva and her co-authors (to which López also counts) in defining elites according to their comprehensive and useful concept, distinguishing three different elite sectors: the economic or business (I stick to the first), the political, and the bureaucratic elites. The first one is of particular interest. I choose to look at business leaders, the economic elite, and thus to “focus on those who occupy decision-making positions in economic ...

²⁹ As do for instance Corak (2016), Piketty (2014, 2020), Saez and Zucman (2019) among many others.

³⁰ See Jiménez and Solimano (2012), Fairfield (2010, 2013, 2015), López (2018), Atria (2018), Cárdenas and Robles-Rivera (2018), Reyes Tinajero (2020).

institutions that play important roles in shaping and implementing economic and social policies” (Moraes Silva et al. 2018, 3-4). As presented in the previous section, much research revealed the elites in regard to their first, second, and third faces of power, which is, to shape policy outcomes, to influence the agenda setting³¹ and to influence the public’s preference (Cárdenas and Robles-Rivera 2018; Fastenrath et al. 2021). I assume the three faces of power to exist. Therefore, instead of asking, for instance, about their power to influence the public’s inclinations, I take a step back and first ask for *their* preferences.

At present, we know remarkably little about the preferences and narratives of the economic elites about the tax system. Gabriel Ondetti uses a qualitative, historical analysis to argue that “a crucial cause of [the low tax quote of Mexico] is the resistance of an exceptionally politically mobilized economic elite” (Ondetti 2017, 47). In his analysis, the preferences of economic elites are not fixed (as e.g. in the studies of Fairfield), but “the product of an enduring anti-state intervention ideology forged through earlier conflicts with authorities” (Ondetti 2017, 49). This approach changes the role of narratives and ideologies to be the independent variable, while the power over resources must be understood as one that mediates between the preferences of elites and the actions taken. Ondetti’s approach helps us understand the differences in findings between some research that finds well-organized and connected economic elites may hinder revenue-raising revenues (Fairfield 2010, 2013, 2015), while others argue that elite cohesion rather helps to explain approvals of heavier direct and wealth taxes, likewise in Brazil (Lieberman 2003), Central America (Schneider 2012), and Colombia (Flores-Macías 2014). Ondetti reconciles the neo-Gramscian perspective, which emphasizes the power of elites to form public preference and the nature of ideologies as instruments of domination, and findings from Beckert (2007, 2008, 2013) and Atria (2018), who find that elites’ preferences are a testimony of their ideological attitudes towards the public-private relation. As Ondetti shows, the emphasis on the elites’ preferences and ideology are rooted in historical circumstances. These should be understood as being shaped over time and anything but given – on the contrary, it is of utmost importance to trace these histories to understand the causal process of any specific case.

3.1.2 The Interplay of (Repertoires of) Narratives with Paradigms and Ideologies

In the first part of the historical analysis, I strive to understand which socio-political factors were understood as fundamental and how the various relationships between these factors were balanced and tightened. In Mexico and Germany, as in many parts of the world at the beginning of the 20th century and in the context of wars and revolution, the main disputes focused above all on the relationship between state, market, and society, and on the relationship between private

³¹ See Gilens and Page 2014; Elsässer et al. 2018; Lupu and Warner 2022; Klüver et al. 2015; Fairfield 2015 among others.

and common property. These were indeed times of crises, of turmoil. If the outcomes of past established systems cannot keep the promises, high anomalies and contestations arise and challenge the legitimation which is necessary to allow the overall structure to persist. The highly contested legitimation gives momentum for a battle of ideas over narratives, RON, paradigms, and ideology in place.

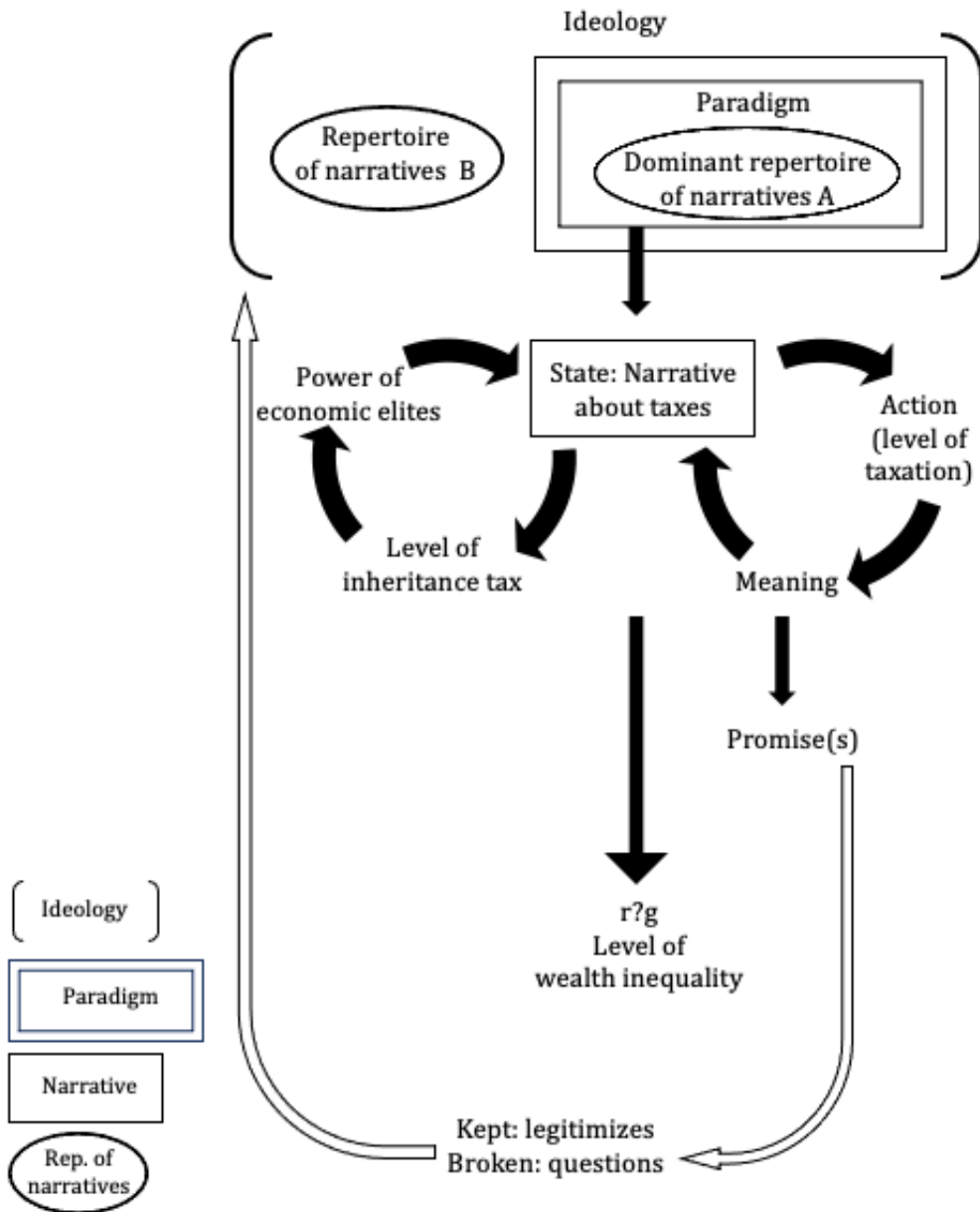
The old orthodoxy will be replaced only if the old RON may be replaced by a new one that is strong enough to form a comprehensive constellation in order to carry a new paradigm and to convince the elites in power. For his book *Narrative Economics*, Robert Shiller received much praise – but also criticism. As Jonathan Portes wrote for the IMF: “There's remarkably little reference to empirical evidence ... given this lack of analysis, the book does little to set out a convincing research agenda” (Portes 2020). In order to meet Portes' criticism, I will follow the instruction of Martha Finnemore and Kathryn Sikkink and “evaluate my claims in the context of carefully designed historical and empirical research” (Finnemore and Sikkink 1998, 893), specifying exactly and in the most transparent and systematic way how to study the interplay of narratives (as explained on pages 45-47) as to identify the RON in a structured way and on the basis of a solid material corpus.

I assume that in belligerent states, the dramatic historic events, severe capital destruction, and thus low capital concentration paved the way for a dispute about the ideology, paradigms, and narratives. And furthermore, referring to the concept of Finnemore and Sikkink, such times within and after historical turmoil offer a window of opportunity for norm entrepreneurs to enter the scene. Norm entrepreneurs are such actors that would stir up the debate and bring in new (often international) norms and narratives of minority positions to the (domestic) table (Finnemore and Sikkink 1998, 893). The most known and analyzed change – the “inequality turn” (Atkinson 2015, 80) and shift from the ideas of Keynes to neoliberalism – may serve as an example to understand the mechanisms expressed in the theoretical model: the Keynesian economic paradigm described an interventionist state that raised high progressive taxes (action), created a strong welfare state (meaning), which in turn promised to establish full employment and economic growth (legitimation; see Laybourn-Langton and Jacobs 2018, 114; Buggeln 2022, 699-701). Yet the promise of the Keynesian approach in the mid 1970s was not longer kept; this provoked anomalies to a high extent so that it was increasingly questioned. The Keynesian paradigm came under attack by norm entrepreneurs that entered the scene. That these norm entrepreneurs would bring new narratives to the table, can – in this specific case – be taken literally:

“In the late 1970s, Margaret Thatcher, at that moment being the new party leader, attended a Conservative Party policy meeting, interrupted a speaker that called for a pragmatic middle way, made a statement by taking out a book from her briefcase, while thumping *The Constitution of Liberty* written by Hayek on the table and said ‘(t)his is what we believe’ (Ranelagh 1991).” (Linartas 2018, 3)

Neoliberalism, brought forward by the highly influential Mont Pèlerin Society of Hayek and Friedman, gained influence and won “the battle of ideas” (Butler 2012, 1). The political elite – for instance in the US in the person of Ronald Reagan and in the UK by Margaret Thatcher – materialized the approaches of the MPS, upholding new goals and new instruments as to reach those. Their new goals and instruments were manifested in a clear and congruent shift in the RON. What happened was a clear paradigm shift. Whereas taxes were previously important for a strong welfare state, the welfare state was “stylized as the antagonist of freedom ... growth [became] the central social imperative,” and taxes – equally with the state – were understood as hindering economic efficiency in a meritocracy (Nachtwey 2017, 32, 69).

Figure 3.1: Step 3 – final theoretical model



3.2 Research Design: Case Selection, Methods, and Material

3.2.1 Most Different Systems with the Same Outcome: Mexico and Germany

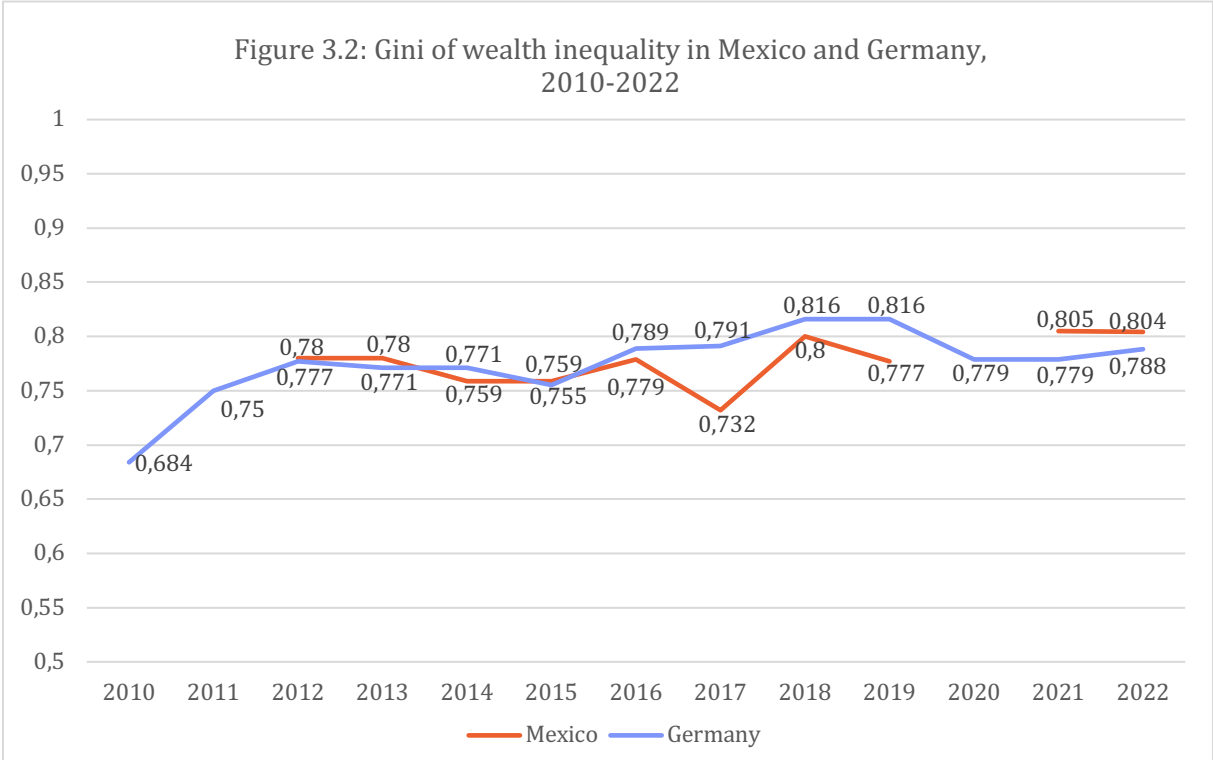
For the performance of a comparison study, I will depart from George and Bennett (2005, ch. 3-5) in the precise design and implementation of such. Given my interest in belligerent and non-belligerent states, I design my research in accordance with John Stuart Mill's method of agreement, which encompasses a most different systems design (MDS, 1893), or, as Dirk Berg-Schlosser and Gisèle De Meur call it, "most different systems with the same outcome" (Berg-Schlosser and De Meur 1994, 1996). The strategy for an adequate MDS implies choosing (at least) two cases which are as different as possible in regard to extraneous variables.³²

A constraint regarding the case choice is the scarce availability of data. Unfortunately, as explained in chapter 2, scarcity of data is often invoked as an obstacle for more research on the topic. Data on wealth inequality remain rare per se, yet the OECD forms an exception (OECD 2018b). Mexico and Germany are the states examined in this study. I selected these states by first identifying two cases with the same results of the dependent variable, thus with similarly extreme levels of wealth inequality within the OECD group. The next step consisted of narrowing down the resulting options according to the maximum of extraneous variance across other important aspects, which will also allow me to exclude alternative explanations for the outcome. I have to bear in mind the tradeoff between data availability and the ideal application of the MDS: the sole fact that both states are members of the OECD makes them more alike than a perfect most different system design would like to see.

However, in regard to the extraneous variance they differ in many important aspects: they are belligerent and non-belligerent states, have no colonial vs. have a colonial heritage, and established a progressive vs. regressive overall tax system, to name just a few of the most important factors. The commonality they share though, and which is of importance for this work, lies in the extreme wealth inequality. At present, both have among the highest and nearly same Gini-coefficients of wealth inequality with 0.79 and 0.80; while ten years ago, Mexico and Germany stood both at 0.78 (Credit Suisse, 2022, 2012). These two cases allow me to analyze and explain the importance of capital concentration, the role of economic elites, and first and foremost, the explanatory factor I assume for narratives about taxes in general and taxes on inheritance in concrete. If I accomplish to verify my hypotheses, this might implicate that Mexico will continue

³² Much discussion evolved about the question whether the MDS presupposes a constant dependent variable. Yet as Carsten Anckar shows, this depends on the research strategy. What is of importance is the same relationship between variables: the pattern of the causal relation must be constant across cases and over time – thus not the variable, but the *relationship* is decisive (Anckar 2008, 395).

having very high levels of wealth inequality, should the narratives and paradigms about the state and on taxes on inheritances remain in place. For Germany, my analysis would allow to assess that the trend of rising wealth inequality runs the risk to move towards the perpetuation and consolidation of wealth inequality as in Mexico – if narratives and RON of economic elites will not change.



Source: Credit Suisse Databooks 2010 to 2022.

Throughout the entire comparative analysis, I have to acknowledge the spatio-temporal setting of narratives, paradigms, and ideologies. Although changes in discourses occur, these do not happen suddenly but require much time before they finally may materialize. Narratives, paradigms, and ideologies are sticky – not only in an abstract, but also in an institutional sense. One of the reasons stated by Blyth why we have not observed a paradigm shift after the World Financial Crisis in 2008/2009 was path dependence and the power of old ideas. The example of the long battle of ideas of the Mont Pèlerin Society proves that their enormous efforts needed several decades before they broke fresh ground. I emphasize these aspects to underline the importance of time. First, because the analysis must be carried out over a long-time span in order to assess the role of narratives and paradigms. The historical context and long-lasting processes and structures are key. Second, time itself has to be understood as a decisive factor. It is necessary to consider it as such in order to hypothesize about cause and effect and to avoid the problem of endogeneity. Tim Büthe has made this point very clear:

“Scholars who seek causal explanations frown upon endogenization because when the dependent variable is not only explained by, but also (partly) explains the independent variables, we run the risk of circular reasoning.” (Büthe 2002, 485)

The way to avoid the problem of endogeneity and circular reasoning lies in the sequences of processes over time. The model must be understood within the scope of time as a sequential element. Thus,

“[t]ime itself becomes an element of causal explanation. This is the case due to the changed character of feed back loops: while they provide a circular argumentation in a static model and make causality impossible, a model with various time sequences allows for causal feed back loops from the explanandum at one point in time to the explanatory variables at a later point in time.” (Büthe 2002, 485-486)

This is the reason why I have to distinguish between various sequences (according to paradigm changes) in my model I presented above. Different time sequences also bring with them different data sources. Accordingly, I have to separate my analysis in terms over time and apply different methods, but also make sure that I coherently coordinate these parts. I will structure my work in two sections: The first part will focus on the past, set the historical scene, and show how legal regulation, narratives, and RON have evolved, focusing on the inheritance taxes in concrete; while the second part will be about the present, allowing me to analyze narratives on the inheritance tax in more detail and depth and especially from the perspective of the actors I am mostly interested in: economic elites.

3.2.2 Historical Analysis: Reconstruction of the Legal Regulation and RON about the Inheritance Tax

Although we live in times of rising/persistent levels of extreme wealth inequality with ongoing consolidations of inheritance societies, the debate about inheritance taxes seems small and insignificant – as small as the revenue and distributive effect from its collection. This is puzzling, all the more as inheritances play a huge role in the ongoing creation of extreme wealth inequality over time and are completely at odds with the guiding principle of our society: the claim and aspiration to be a meritocratic society with inequalities only due to personal efforts. In times of ever-growing inheritances and ever lower social mobility, once again the family background becomes increasingly decisive for the socio-economic position of individuals in society. I assume the prevailing dominance of neoliberal narratives about the state, taxes in general (Saez and Zucman 2019, 47-51), anti-state attitudes of economic elites (Ondetti 2017), and the economic elite's strong belief in a meritocratic system (Atria 2022; Sandel 2020; Krozer 2019) to be the reasons for the present poor performance of the inheritance tax. I furthermore aim at testing the assumed role of mass warfare for the evolution of the inheritance tax (Steve and Stasavage 2016; Scheidel 2017). Based

on the described assumptions and mechanisms, the first question addresses the narratives, RON, and legal regulation of the inheritance tax over its history in regard to wealth inequality, in both a belligerent and a non-belligerent state.

1. How have narratives, in concrete *repertoires of narratives*, and legal regulations of the inheritance tax in regard to the level of wealth inequality evolved and changed over time?

In the historical analysis, I will analyze the political, legal regulation of the inheritance tax and the narrative against which the legal regulation has developed. As I cannot travel in time, it will be impossible to retrieve narratives of decisive actors for which I could ask via interviews. Given this limitation, I will focus on the policy and legal framework, on a detailed textual analysis and ask: What were the narratives in the policy of taxes, especially about the inheritance tax? What were the narratives on economic inequality, especially wealth inequality? And how have these narratives and RON as much as the legal regulations across time evolved?

For the assessment of the overall changes over time, Hall's concept of paradigm change will serve as a frame. However, I understand ideologies, paradigms, and narratives in a critical manner – thus not as autonomous phenomena, but as the outcome of a hegemonic practice and struggle, shaped and influenced by the economic elites due to all their three faces of power. From a critical point of view, “achieving hegemony is a matter of gaining acceptance, as well as being recontextualized, institutionalized and operationalized” (Montesano Montessori 2019, 12), thus creating a consensus. I assume that the comparison of Mexico and Germany will help to assess the importance of (immaterial) narratives which I will have to understand in the paradigms and ideologies in which these are embedded. Care will be taken to collect similar sources whenever possible in a standardized manner.

Material corpus of the historical analysis

For this purpose, I analyze parliamentary debates about the inheritance, legal texts, basic and electoral programs of the parties, newspaper articles, interviews in media with important actors (with the presidents or chancellor, and ministers of finance), and secondary literature. However, the research in Mexico was incomparably more difficult for two reasons: First, the corona pandemic made the search in archives during my research stays between March 2020 until April 2023 difficult, in parts impossible. I had the tremendous fortune to be able to rely on my student assistant Elisabeth Martínez Martínez, who sought documents in both the Senate and the Parliament in my stead. The second problem was that, to the best of my knowledge, not all parliamentary debates are digitized in Mexico. The search for sources and secondary literature went classically by the snowball system and days of searching for valuable information in the libraries of *El Colegio de México* (COLMEX), *Universidad Nacional Autónoma de México* (UNAM), and in the *Hemeroteca Nacional de México*. I obtained a good overview and most important sources; however, compared to Germany, it is not equally detailed.

For the historical analysis in Germany, I was able to access primary sources primarily online. Both the Imperial Law Gazettes (*Reichsgesetzblätter*, RBG1), Federal Law Gazettes (*Bundesgesetzblätter*, BGB1), legislative proposals, and parliamentary debates are digitized and archived. In addition, being an employee of the German *Bundestag* from 2018 until 2021, I was able to conduct research in the *Bundestags Pressearchiv*, where newspaper articles on the topic of the inheritance tax are available in hard copy from 1950 to 2008, and in digitized form from 2009 onwards. This access facilitated a fully comprehensive and structured narrative analysis. For the analysis of the German inheritance tax, I read the legislative texts, reports of the Finance Committee, Mediation Committee, as well as press releases of the political parties and, if applicable, the verdicts of the Federal Constitutional Court. For the narrative analysis of the political elite, I analyzed the parliamentary debates for each reform on the inheritance tax (1919, 1922, 1923, 1925); in the Federal Republic, I searched for the first, second, and third readings of the reform bills and debates in the *Bundestag* (*erste bis dritte Beratung*) and debates in the *Bundesrat* and analyzed the disputes (1951, 1955, 1959, 1973-1974, 1995-1997, 2008-2009, 2014-2016³³).

Regarding empirics for wealth and its distribution, Mexico is a problematic case. To my best knowledge and according to other scholars, there are no official data on inheritances and wealth and its distribution for Mexico (Esquivel 2015, 16; Ochoa Rene 2017; Mejía Cosenza 2018; OECD 2019). The *World Inequality Reports* (WIR, Alvaredo et al. 2018; Chancel et al. 2022), *Global Wealth Reports* from Credit Suisse (since 2012), and *Forbes Magazine* are the only sources on which I can draw. However, not all of these sources delve into the past and are, except for WIR, transparent regarding their methods and data. The OECD incorporates Mexico in their analyses regarding wealth taxes and inheritance taxes (OECD 2018b, 2021a), but if it comes to wealth and its distribution, it misses information (OECD 2018c). Diego Castañeda (2020) presents an attempt to estimate the current wealth inequality of Mexico (Castañeda 2020); furthermore, some scholars take inheritance wills, estimates of homeownership, financial assets, and land distribution into account (e.g. Castañeda Garza and Krozer 2020; Torche and Spilerman 2006; Sandoval Olascoaga 2015; Eckerstorfer et al. 2016; Alvaredo et al. 2018) and are thus of utmost importance. This data scarcity is quite a pity and represents one of the shortcomings of this project I am well aware of. However, it would go beyond the scope of this thesis if I were to try to gather this information. (Instead, my contribution to the production of new knowledge will consist of insights in contingencies and breaks of narratives of economic and political elites on inheritance taxes.)

In my empirical analysis about Germany, I will draw on “the first comprehensive study of the long-run evolution of wealth inequality in Germany” by Thilo N. H. Albers et al. (2020) which is the result of a five-year research project endeavor. General tax revenue information for Germany is available reaching back until 1872 (Sensch 2013). Accordingly, the data in the World Inequality Database for Germany are comprehensive. There are more sources on wealth distribution for Germany than for Mexico: Capgemini's World Wealth Report has reported the wealth of German high

³³ At times, there was not a first, second, and third reading, as for instance in 1996, when the first reading with debate was skipped, followed by a direct referral under the simplified procedure without debate (see BT 1996a, 10895). However, I analyzed all debates on the inheritance tax reform that took place.

net worth individuals (HNWI) since 2003 (Cappgemini 2003-2022). Credit Suisse has published the Gini index of wealth distribution for Germany since 2010. In addition to *Forbes Magazine*, *Manager Magazin* also publishes estimates of the richest Germans. But mind you, since wealth tax has not been levied since 1997, these are estimates only. In 2020, Carsten Schröder and his research team at DIW took advantage of the information provided by *Manager Magazin* and published an important study based on the Socio-Economic Panel (SOEP), supplemented by a sub-sample (called SOEP-P) and the *Manager Magazin* rankings, in which they revised the estimates of wealth inequality for Germany upward (for more on this, see page 259).

Based on this material, in the historical analysis I will present the evolution of the inheritance regulation and develop my argument for the importance of narratives, paradigms, and ideology. I thereby hope to be able to refute alternative explanatory approaches and sensitize for the importance of acknowledging varying narratives in their spatio-temporal settings.

3.2.3 At Center: A Critical Narrative Analysis of Interviews with the Economic Elites

Whatever the findings about the past will reveal, I will have to test and strengthen my argumentation by a thorough critical narrative analysis of the present narratives about the inheritance tax in Germany and Mexico. While the historical analysis is of course dedicated to the past, the next part will focus on the present. But this time, the focus will be on economic elites. The research question then is:

2. What are the idea and norm concepts of economic elites, captured in their RON, regarding wealth inequality and the inheritance tax (in comparison to the income and other wealth taxes)?

I have to differentiate belligerent from non-belligerent states as to see whether preferences over the design of the tax system are in response and reaction of warfare. For non-belligerent states with economic elites that have a long-lasting and strong anti-state perspective, I assume that these powerful actors are against higher taxes for various reasons: First, in accordance with findings from Atria (2018), elites in states with a *longue durée* of high inequalities and low social mobility feel to a lesser extent as part of a community of solidarity. Second, they do not trust the state (corruption, inefficiency). Third, taxes in general are framed as a burden for economic growth, this also includes inheritance taxes. In belligerent states, rising levels of inequality, the ongoing political division, and transnational challenges such as the climate crisis give rise to highly controversial debates about the relation of state and the market. Yet despite the high contestations of the dominant discourse, the neoliberal paradigm remains in place. I assume that this may be primarily due to the socialization of the present economic elites: In contrast to economic elites in non-belligerent states, many actors from top positions in belligerent states were socialized in times of higher social mobility when the narrative of meritocracy had just gained ground and was

not only promising, but the guiding principle in their cohort. Thus, economic elites' norms and narratives are strongly related to their meritocratic beliefs.

In this part, too, I present the political and legal background. But contrary to the previous section, I present original, new knowledge about the narratives and RON of economic elites. I show in detail how economic elites perceive economic inequality, which role they ascribe to the state, how they frame taxes in general, and in concrete, their attitude towards the inheritance tax. Instead of asking *how* or to which extent the elites influence the discourse, I am interested in *what* the discourses look like *within* the group of elites and what the interplay between their values, norms, and the prevailing narratives and paradigms looks like. To my best knowledge, only very few attempts have been undertaken successfully to present such insights about economic elites in Mexico (I am aware of Krozer 2018) and Germany (I do not know of any).

Centerpieces: The interviews with the Economic Elites

To date, we know very little about the perceptions, values, and norms of economic elites – and this holds all the more true in regard to the interlocking issues of wealth inequality, taxes in general, and the inheritance tax in particular. By shifting the level of analysis towards the agency, I also must apply other tools which enable me to take individual values and norms into account and meet the requirement to understand elites as a potentially heterogenous group. Accordingly, in this part of the thesis I again use the modified concept of RON. The analysis of RON allows me to receive answers to the following questions: What are the narratives of economic elites about the inheritance tax? What are their narratives on economic inequality, especially wealth inequality? And how do they cope with the contestations of meritocracy versus inheritance society? The method to gather this new knowledge relies in the first place on semi-structured interviews (Peabody et al. 1990) and a survey which incorporates questions from earlier surveys from Moraes Silva et al. 2018 and *Forum for a New Economy* (Moraes Silva et al. 2018, Fricke 2019)³⁴.

My interviews with members of the elites provide empirical support and new evidence in a structured and focused manner (George and Bennett 2005; Büthe 2002) and allow to unpack elite narratives (Moraes Silva et al. 2018). Since the constant absence of debates about taxes on wealth and inheritance in Germany is evident (Beckert 2013), and in Mexico tax reforms regarding inheritance are not taken into consideration (ITV Messmacher Linartas 2020), these interviews will be of utmost importance. Furthermore, I retrieved information by attending various events, first (before the corona pandemic) in person and after March 2020 mostly via the internet. On top of the interviews I conducted, I incorporate interviews given to media/newspapers and analyze the same sources as in the historical analysis, thus parliamentary debates, basic and election programs of the main parties represented in the federal parliament, and documents and press

³⁴ This way and in future projects, comparison among different groups of elites and between elites and citizens might be analyzed.

releases of the associations of economic elites. By analyzing all these sources together, I strive to present the narratives on the inheritance tax of very important actors which might help to explain and to assess changes and contingencies in the realm of wealth inequality.

From November 2019 until March 2023, I spoke with a total of 38 actors from the economic elites, in addition to politicians at the federal level, as well as experts on the topics of economics and finance, taxes, and elites (particularly in Mexico); in total, I spoke with 61 actors and conducted 64 interviews (see Appendix table A1 on pages 447-448). The expert interviews and those with politicians serve to better assess the debates on wealth inequality and the inheritance tax in each country and to better classify the statements of the economic elites. In Germany, I hardly interviewed any experts, as I have been present at many events on finance, taxes, and explicitly the inheritance tax since 2019 and know the positions and backgrounds to the debates well through my own active participation in the political-social debate. I form part of the Steering Group Inequality of the think tank *Forum For A New Economy*; founded *ungleichheit.info*, which became alliance partner of the *Friedrich Ebert Stiftung* for the campaign "Erben verpflichtet!"; together with Stefan Gosepath I wrote a study for the campaign (Gosepath and Linartas 2022); I had the honor to give interviews to various papers, podcasts, wrote articles on the topic³⁵ and have had numerous debates on social media, especially on wealth inequality and the inheritance tax. Since I have not been that active and did not know the topic to the same extent as in Germany, I relied on expert interviews in Mexico.

In addition, experts and politicians, both in Mexico and in Germany, helped me get in touch with actors of the economic elite and invited me to relevant, sometimes exclusive events. Thus, in addition to the interviews with economic elites, these also make up a very important part of my analysis. An important aspect in Mexico compared to Germany is that actors cannot be unambiguously assigned to politics or business; in parts, their biographies show long stretches, sometimes a back and forth, between these two sectors.

To achieve a good comparison between the narratives of the economic elite, all interviewees were asked the same set of questions and, depending on the position someone held or, if applicable, how the person had already publicly commented on the topics of interest in other interviews, additional questions were usually added. I often asked these specific questions at the beginning to also signal to the interviewees that I had explicitly dealt with them and was well prepared.

The interviews in Mexico were in Spanish, in Germany the interviews were conducted in German. In both states, the conversations lasted on average about 40 minutes; the shortest interview went 17 minutes, while the longest spanned two sessions and lasted over five hours. At the beginning, interviewees were briefed on the structure of the interview. We usually started with the open-ended, semi-structured questions, and had a survey of closed-ended questions at the end where interviewees could choose one from a selection of response options. In two cases, the time

³⁵ See e.g. Linartas 2023a, Linartas 2023b, Linartas 2023c, re:publica 2023.

window was too small for the survey. Except for two conversations that I conducted as part of a second meeting, in which the interviewees and I had open discussions, all conversations were recorded on tape, transcribed and translated with the software *Amberscript* and *DeepL*.

It was important that I made it clear from the beginning that the interviews would be anonymized: I would indicate who I was talking to, but at no point would I quote a person's name without their explicit consent or use statements that would draw a conclusion about a person. Instead, every interviewee would be numbered randomly (e.g. ITV #10). Characteristic filler words, idioms, all forms of expression and, above all, information that could possibly give conclusions about the interviewee, were neutralized or omitted. The interviews were about the actors' personal attitudes, their narratives, so that accordingly there were no right or wrong, good or bad answers. Nor were my questions intended at any point to suggest my stance on any issue³⁶; the questions, I explained, were derived from academic and social debates, and were intended to help contrast or flesh out the interviewees' answers.

In both Mexico and Germany, I experienced great help at the beginning in getting in contact with the actors of interest. After all, positive answers to interview requests for the economic elite cannot be taken for granted. In Mexico, I was very fortunate to receive support from my uncle Miguel Messmacher Linartas. Miguel was Chief Economist of the Ministry of Finance as well as Deputy Minister of Finance of Mexico over eight years. Among other things, Miguel "worked in the preparation and negotiation of twelve Federal Government budgets, the national Development Plan 2006-2012, the macro response of Mexico to the Great Recession, several fiscal reforms" (ITAM 2023) and of utmost interest to my PhD thesis, on Mexico's last major tax reform 2012-2014. He is currently Dean of the Division of Social Sciences and Law at the *Instituto Tecnológico Autónomo de México* (ITAM) and very well connected. The economic elite in Mexico is very tight-knit – also in international and Latin American comparison (Cárdenas 2020, 9; Ondetti 2017, 56). Most of the actors interviewed know each other either from university (mostly ITAM), work at the Ministry of Finance, supervisory boards on which they collaborated together, or through events they held together.

In Germany, my student work in the German Bundestag office of Annalena Baerbock, at the time the federal chairwoman and candidate for chancellor of Bündnis 90/Die Grünen, was without a doubt my main door opener. Back then and right at the beginning of my project, after an appointment Annalena had with Joe Kaeser (then CEO of Siemens) in preparation for a joint appearance at the Green Business Congress on Feb. 28, 2020, I was able to accompany Joe Kaeser from Annalena's office to his car, as is customary in the Bundestag. In my one-minute elevator speech (truly also briefly in the elevator), I addressed him about one of his recent interviews I had just read in the newspaper. The main topic of the article was the division of society, which would also be of interest to me in my doctoral thesis. I asked if he would dedicate 30 minutes to talk to me

³⁶ Although in Germany, some interviewees would refer to my work and position, known from social media, articles, or public debates.

about this topic as part of my doctoral thesis. He agreed before getting into the car and we conducted the interview directly after the event with Annalena Baerbock took place.

In my letters to other actors in Germany's economic elite, I generally referred to my conversations with my former boss and with Joe Kaeser and asked to be allowed to include their voices – anonymously, of course – in the canon of the most important economic figures of our country. I received mostly acceptances, hardly any refusals. After each interview, I asked for support and a way to contact other actors. The snowball system worked as described in textbooks. I am very grateful to all interviewees. Not only for their time, but also for their support and help to reach out for further contacts, without which my doctoral thesis would not have been possible.

In Mexico, I spoke to most of my interviewees in person during my research visits in March 2020 (I had to cut short my stay because of Corona), December 2021 to April 2022, September to October 2022, and finally in March 2023. I conducted the interviews with the German actors between November 18, 2019 and March 09, 2022; only four out of 21 interviews were directly in person, most of them took place online as the Corona pandemic made “real” appointments difficult. In total, I spoke with 18 out of 38 actors of the economic elite online, and met 20 in person; the latter mostly in their offices (11), sometimes in a café or restaurant (3), at their home (2), on the sidelines of events (2), one at a *hacienda* on the golf course, and one at the Mexican Club of Industrials.

The general atmosphere with my interview partners was very respectful, well-meaning, mostly relaxed, and only very rarely tense. It seemed to me that I gained their trust and openness through my relationship with my uncle Miguel Messmacher Linartas, as well as through the connection to Annalena Baerbock or other previously existing contacts in Germany. Furthermore, it would be dishonest to deny that I felt that being a young woman also played a role. However, with most of the interview partners, I can say that not only did I have interesting conversations, but that most interviews were truly fun (of course I can speak only for myself). The interest in the topics and the exchange was sometimes so great that I met with some actors several times; at second or third meetings we discussed our earlier conversations and their narratives about the previously queried concepts and approaches.

The interviews are the heart of my research, and I am deeply indebted to my interviewees – their willingness to speak openly with me allows me to analyze their narratives on inequality, taxes, the relationship between the state and taxes, and the inheritance tax. I have learned that unpacking the black box “economic elites” is very important, if only because their answers differed and were sometimes diametrically opposed to each other. Homogenizing the group in the sense of “those at the top” does not do justice to the actors at any time and on any topic. This result gives good reason to further explore how or according to which factors the actors could be further subdivided, such as by whether they are first generation of economic actors or stand on someone’s shoulder, how big the company is, and by gender.

I cannot do this analysis in the context of this dissertation because, firstly, the sample is too small, and secondly, I could no longer guarantee the anonymity of my interviewees (if, for example, I indicated which interviews were held with women).

Figure 3.3: Finding my interviewees – Mexican snowball

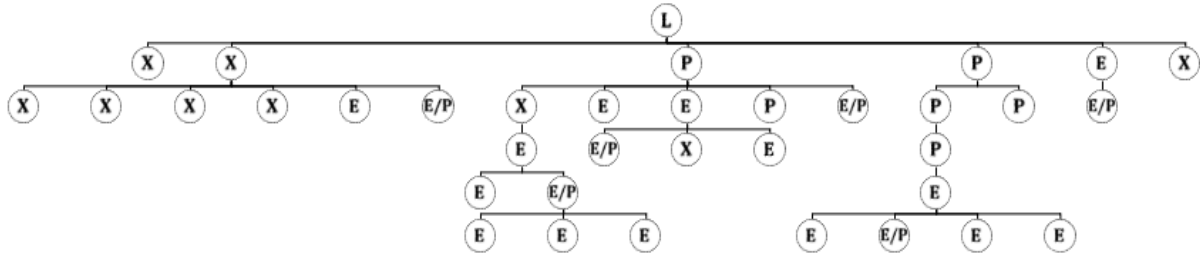
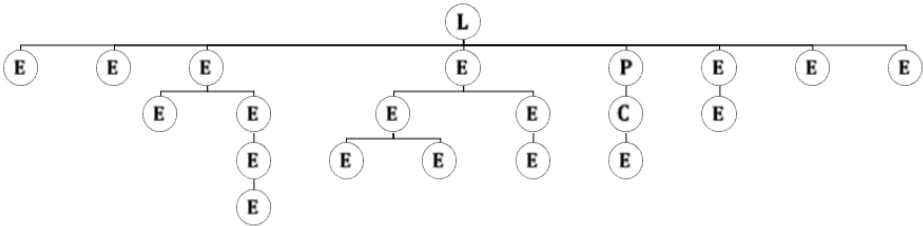


Figure 3.4: Finding my interviewees – German snowball



Legend: L: Linartas; E: economic elite; P: political elite; X: expert; C: contact.

In the analysis of the interviews, as in the contextual part, I would like to highlight primarily the narratives about the inheritance tax. But to embed and understand these, it is necessary to first understand the narratives about other concepts. According to my theoretical model, I asked questions that allowed inferences about their economic paradigm. The interviewees were not aware of my focus on the inheritance tax at the beginning of the interview, so I can authentically reflect whether they were considering the inheritance tax in the context of our interview and in the open-ended questions about, for example, the most important tools for reducing wealth inequality.

Only after we had talked about different and more general concepts did I explicitly ask the actors about the inheritance tax. Using the four principles according to Jens Beckert (2008), I spoke in detail about their stance on these principles after an initial open question; the grid served as a more in-depth discussion of inheritance tax.

Table 3.3: Core principles about the inheritance tax by Jens Beckert

<i>Family principle,</i> G. W. F. Hegel (1821)	Wealth is familial, not individual. An inheritance tax represents an illegitimate interference in the sphere and solidarity of a family
<i>Equal opportunities,</i> T. Roosevelt (1910)	Against dynastic wealth creation and for high inheritance taxes to achieve “equal opportunities” (input-oriented equal opportunity)
<i>Social principle,</i> A. Carnegie (1889)	Philanthropy – because of mistrust towards state and family (inherited wealth would spoil the character) – should be for the elite to decide how to use the inheritance for the benefit of society
<i>Principle of justice,</i> M. Weber (1922)	High inheritance taxes should serve to correct the results of free markets in the progressive sense that more taxes should be paid by the strongest actors in society (output-oriented opportunity)

Source: in accordance with Beckert (2008).

In Germany, the economic elite has the common inheritance tax as a frame of reference; in Mexico, I cited the narratives put forward by President Plutarco Elias Calles and Finance Minister Alberto J. Pani in 1925 before the introduction of the inheritance tax. Those distinguished historical figures stay at the beginning of the historical analysis of Mexico.

4 Historical Analysis of the Inheritance Tax in Mexico and Germany

The historical analysis of the inheritance tax in Mexico and Germany will focus on dominant narratives about the inheritance tax in the political discourse, their continuities, and their breaks. The aim is to contrast and compare the political narratives and the overall discourse over time with the current narratives of the economic elite, which I will explore in the next section.³⁷ In consequence, the leading research question of the context chapters is: Which narratives have dominated the political discourse since the beginning of nationwide inheritance taxes and what are their continuities and breaks? To answer this question comparatively for Mexico and Germany and to be able to classify the analysis of the narratives, various steps have to be taken in a structured manner:

First, based on the defined concepts, I will provide an overview of the dominant economic ideologies and paradigms as to define the narratives about taxes and inheritance taxes. What were the ideologies and paradigms of the time and how have those evolved? The most important political actors – the secretaries of treasury or finance ministers and presidents or chancellors – will be of outstanding importance. In Mexico at that time, there was only one party that was powerful: the *Partido Revolucionario Institucional* (PRI). No real opposition emerged at the time of the inheritance tax of 1926 until 1962. This can also be seen very clearly in the voting behavior: only in very few cases did a few deputies or senators deviate from the party line. In Germany, on the other hand, there were several changes, with several parties and coalitions in power and government. Accordingly, in Mexico the focus will remain on the political elite in the form of the secretary of the treasury and presidents, while in Germany the view will be opened, and the narratives of the various parties and leading personalities will also have to be analyzed. This analysis will be based on speeches in parliament, party programs, and secondary literature. Based on the changes in economic paradigms, historical time periods are constructed to (graphically) summarize the actors, their narratives, goals and meaning of their narratives, paradigms, and ideology.

Second, the overview of the ideology and the paradigms of the most important political actors is followed by a descriptive analysis of the changes in the inheritance law. The question then is: How have legal regulations of the inheritance tax since its inauguration under democratic rule changed over time? This happens – how else? – based on the legal texts. In addition, significant historical events that implicitly influenced legislation will also be taken into consideration. Not all details of inheritance tax will be analyzed, but rather those aspects that are considered relevant for the processing of the research question: the marginal tax rates, how progressive the tax was designed,

³⁷ The research deficit on narratives of the economic elites from the past hinders me from a thorough narrative analysis; based on semi-structured interviews, I will be able to present the narratives of the current economic elite in the next part.

which exceptions were made for whom, who benefited from the revenue, and how violations of the law on inheritance tax were sanctioned and how these were framed.

- Marginal tax rates (within the different tax classes)
- Degree of progression
- Beneficiary (State/Federal State)
- Exceptions and preferential treatment
- Sanctions

Third, Lamont and Thévenot explain with their concept of *repertoires of evaluation* (2010) the importance of repertoires; while in *Narrative Economics*, Robert Shiller explains that narrative constellations have more impact than any one narrative (Shiller 2019, 92). Based on these considerations, it is also of interest which narratives work together as a repertoire. The aim of this analysis is therefore not only to interpret both continuities and breaks in the narratives about inheritance taxes, but also to reveal which narratives have been used mostly in an interplay, as to present *repertoires of narratives* (RONs). The main question of the context chapter thus is: Which RONs were served and how have these changed over time?

For the narrative analysis, I aimed to analyze parliamentary debates that occurred before a new reform on the inheritance tax had been adopted. I am afraid I cannot see past the big difference of the material corpuses for Mexico and Germany. The historical narrative analysis for Mexico should be understood as an approximation rather than an in-depth narrative analysis (as I was able to do for Germany). For the Mexican case, I relied solely on the legal texts from the inheritance tax reforms and declarations of the National Fiscal Convention. For the German case, I have succeeded in finding and analyzing the first, second, and third debates in the German *Bundestag*, as well as debates in the German *Bundesrat*, as the *Bundesrat* needs to approve the laws and often would call the mediation committees. While the data base in Germany was, according to my standards and purpose, comprehensive, data in Mexico was scarce – despite archival work, support from a student³⁸ to search in times of Corona at the Senate and Parliament, and four research stays in Mexico. I therefor strived to find access to political debates via newspapers, too. Media should be treated with caution, especially in Mexico at this time, but they must not be absent. Otherwise, I would not be able to draw a broad picture of the Mexican discourse and how narratives have changed and evolved over time. Working in the Mexican *Hemeroteca Nacional* and in the *Bundestags Pressedokumentation*, serves to inductively work out possible narratives to complete the *repertoire of narratives* and thereby to set the contextual scene. However, the focus in the historical analysis lies on the legal documents, and media material must be understood as supplemental.

After analyzing the inheritance tax reforms embedded in the paradigms and ideologies of their time and drawing conclusions from them, I turn to the recent present. Based on the research results of the analysis of the RON, I look at important aspects in Mexico and Germany as of today.

³⁸ I am very grateful to Lizbeth Martínez Martínez for her diligent research during the corona pandemic in Mexico, without which my corpus of material would not have reached this breadth.

What are the current debates, what is the political elite's position on the inheritance tax, and what are the chances for a change from the status quo? I will summarize the assumptions arising from the historical context before I will turn to the next chapter, which is dedicated explicitly to the RONS of the Mexican and German economic elite. I would like to emphasize that my focus of this chapter is on political narratives, which in the main and following section of this work will be compared with those of the current economic elites on the basis of a narrative analysis, based on 38 semi-structured interviews with actors from the economic elites.

4.1 Mexico

4.1.1 The Mexican Ideological Dispute after the Revolution: Old Libertarian Values vs. Agrarian Aspirations

The context chapter for the Mexican case begins at the last gasps of the Mexican Revolution. The Mexican Revolution was understood as an agrarian revolution.³⁹ It is therefore only logical and consistent to look at the most important disputes in relation to agriculture in order to learn about leading questions of Mexico's ideological orientation. The main questions were, as Esperanza Fujigaki Cruz summarized, "[w]ho owns the country? Who kept its fruits? And where do the means for its growth and production come from?" (Fujigaki Cruz 2005, 136). Since its inception, an unbridgeable chasm between the common people and the elites existed in regards to property relations: while the bulk of the peasants demanded a redistribution of land and strived for justice in the sense of the commune and participation, the elites (as a whole) were willing to cultivate the private right to property, declaring it as "sacred" and inviolable. According to Antonio Díaz Soto y Gama, the elites thus torpedoed the revolution:

"The Mexican revolution was born, spiritually, in the countryside. ... In Mexico, the intellectuals ignored and hindered the agrarian revolution, the only real revolution that there has been in Mexico. The following explains it: our intellectuals were educated in the school of the most blind and ferocious individualism, in the notions of classical political economy. They worshiped "sacred and inviolable" property rights, they did not consider the expropriation of the *latifundio*, they believed wholeheartedly that the distribution of the land was pure communism." (Antonio Díaz Soto y Gama 2002, cited after Fujigaki Cruz 2005, 138)⁴⁰

The different ideals regarding property relations, the expropriation, and the struggle of Emiliano Zapata and Pancho Villa for the people (*el pueblo*) on the one hand, and the preservation of the status quo of long-established elites on the other hand, were incompatible with one other. This dispute meant nothing less than the struggle for sovereignty over the design of the future system after the revolution: either in the interests of the peasants and commons societies, or in line with liberal principles, which include the right to private property, among other issues. Rhetorically speaking, the question was unambiguous for the leaders of the revolution: the land had to be divided among the people, which would lead to the empowerment of the small farmers. That was

³⁹ See e.g. González Navarro 1985; Fujigaki Cruz 2005, 136; Domingo Barberá 2005.

⁴⁰ If not stated differently, the translations are by the author. Original: "La revolución Mexicana nació, espiritualmente, en el campo. ... En México, los intelectuales desconocieron y estorbaron la revolución agraria, la única revolución honda que en México haya habido. La cosa se explica: nuestros intelectuales se educaron en la escuela del más ciego y feroz individualismo, en las nociones de economía política clásica. Rendían culto a la propiedad 'sagrada e inviolable', no concebían la expropiación del latifundio, creían pie juntillas que el reparto de las tierras era comunismo puro."

how *el pueblo* wanted the questions to be resolved – the entire revolution from 1910 to 1917 followed from this aspiration. To put it pointedly: the agrarian question centered on the task to overcome the old system⁴¹ and to establish a new one that would enable the proletariat to be free and to break out of the slave-like conditions (Crónicas y debates de la Soberana Convención Revolucionaria 1964, 565; cited after Fujigaki Cruz 2005, 139).

However, the revolutionaries did not speak with one voice according to a precise idea, but with several, of which Emiliano Zapata and Pancho Villa were the most important ones. Following Fujigaki Cruz, the different regional histories and experiences conditioned different ways of thinking (Fujigaki Cruz 2005, 140). Historian John Womack Jr. (1969) denies that the revolutionary movement spearheaded by Zapata was led "in the name of the people." In his view, it was purely political. In contrast to Zapata, Villas was not concerned with the question of expropriation or non-expropriation, but rather lacked the intellectual and political apparatus to implement his ideas (Katz 1999, 458-459). In a nutshell, Zapata did not want to reverse ownership conditions, while Villa may have intended to, judging by his rhetoric, but simply could not.

The *Plan de Ayala* of November 25, 1911 is considered a manifestation of the revolutionary project on which the foundations were based. According to the Plan of Ayala, one-third of the land, mountains, and water sources should be expropriated immediately. Conversely, this means that two-thirds would remain in the hands of the landowners (Fujigaki Cruz 2005, 137). Whether the ratio of one-third to two-thirds is seen as (too) much is particularly a question of the normative and historical point of view. From today's perspective, the expropriation of one-third is an extreme undertaking. If one considers how the discourses took place at that time, in which people often thought and spoke in black and white, *el pueblo* against the elites, this relation seems clear and according to the mathematical logic: the preponderance fell in favor of the old system.

When it comes to analyzing a revolution, one should look not only at changes, but also at what remained. In terms of ownership, conceptually more has stayed the same than changed. This finding reinforces the statements of historian Díaz Soto y Gama that the revolution was ultimately torpedoed by the elites, in the sense that politics did not conform to the demands of *el pueblo* but rather to liberal principles. This can also be looked at more closely by assessing the leading actors and their policies. The ideological proximity to the presidential revolution, I would like to emphasize, can also be interpreted in accordance with how they shaped the political fortunes of the country, felt about agrarian reforms, and the distribution of land between villages and small farmers on the one hand and large farmers on the other. For if one takes the definition of ideology as a basis, a crucial question is that of property rights: are private, individual rights given more importance (according to liberal ideals)? Or are redistribution and common property of villages gaining ground (as expressed in the revolution and against the background of the very unequal distribution of private land in the hands of only a few)?

⁴¹ According to Fujigaki Cruz (2005, 169), historians disagree as to whether the old system was feudalistic or already capitalistic.

The incumbent presidents during the revolution, Francisco Madero (1911-1913) and Venustiano Carranza (1914-1917)⁴², contrary to their rhetoric, were opposed to any major changes in land ownership. Madero was a convinced democrat and liberal, came from a spirits dynasty and, owning 167,000 hectares of land, was himself a big landowner (Fujigaki Cruz 2005, 140). The most important law that expresses the diametrical position regarding property relations was the *Ley Agraria* of January 6, 1915. Contrary to revolutionary declarations, the law contradicts the idea of municipal administration of the land. And, even immediately after the revolution, there were no frontline advocates who truly championed the original revolutionary ideas.⁴³

The political ideas, structuring and decisions of leading actors in the course of the revolution often appeared vague and sometimes contradictory (Tobler 1994, 347), but were finally recorded with a sharp profile in the *Magna Carta* of 1917 (MC, see *Cámara de Diputados (Diputados) 2023 [1917]*). According to Hans W. Tobler (1994), it was neither a Bolshevik nor a socialist constitution; rather, it was based on two fundamental principles that made the influence of the Zapata and Villa movements clear: “on the one hand, the principle of the state intervening in the area of work; on the other, the clear emphasis on the social function of property, in the sense of the subordination of individual property rights to interests of the community” (Tobler 1994, 365).⁴⁴

The revolution brought to light an interventionist state that was supposed to regulate the fortunes of the economy and would still have to create the appropriate institutions – which in the following years was mainly the task of the President and *Secretario de la Hacienda y Crédito Público*, hereinafter Secretary of the Treasury or Finance Minister. In addition, the constitution explicitly states that individual property rights should be subordinated to communal interests (MC, Art. 27). As sharp as the wording in the constitution is, these ideas had to be institutionalized first, meaning that laws and reforms had to be enacted that would materialize and implement the ideas of the constitution.

What can be categorized with certainty about the post-revolution presidents is that some have shown closer ties to small farmers, while others opposed agrarian reforms for greater redistribution. A simplified classification based on secondary literature on the agrarian reforms from 1920 to 1940 shows the following distinctions: Emilio Portes Gil (1928-1930) and Lázaro Cárdenas del Río (1934-1940) acted in the name of agrarian reforms in the sense of redistribution; while Álvaro Obregón Salido (President from 1920-1924 and himself a member of the land elite), Plutarco Elías Calles (1924-1928; the most powerful politician until 1934/1935), and Pascual Ortiz Rubio (1930-1932) acted in the names and for the sake of the big farmers (Tobler 1994; Fujigaki Cruz

⁴² Both presidents were assassinated before the end of the revolution.

⁴³ Exceptions prove the rule: An important politician who put the state and the general good of society above private property rights was Pastor Rouaix Méndez, *Secretario de Agricultura y Fomento* from 1914 to 1920. In his view it was imperative to understand the state as the representative of the people in order to be able to create something like a nation, a people (Rouaix 1984, 143).

⁴⁴ “por un lado, en el principio de la intervención del Estado en el área del trabajo; por otro, en el claro énfasis en la función social de la propiedad, en el sentido de la subordinación de los derechos individuales de propiedad a los intereses prioritarios de la comunidad” (Tobler 1994, 365).

2005; Guerrero Mondragón 2005). The latter pushed ahead with agricultural reform very slowly and defended the *hacendados emprendedores y modernizadores*.

The different orientations of the presidents remained diffuse, a veritable back and forth of agrarian and economic policies. In an essay on economic ideas by Fujigaki Cruz (2005), the author shows in detail how different the ideas of the leading Mexican revolutionaries and politicians were during and after the revolution. Following Fujigaki Cruz, these ideas were so different that they can be seen as expressions of different ideologies:

"[W]e can highlight the continuity of the liberal thought inherited from the 19th century, around the importance of the creation of small property and the need for the division of large estates; while the inheritance, which we could call 'millenarian', of regions with a predominance of indigenous and peasant communities, emphasized the defense of communal property."⁴⁵ (Fujigaki Cruz 2005, 143)

While there were alternative ideas about ownership of land and property which were different from the old system (being the ideas and beliefs that ultimately fueled the revolution), there was never anyone at the frontline in politics who accepted the purely revolutionary ideas of complete subordination of private property for the common good of society, let alone a prolonged period to institutionalize such beliefs. In this context, Fujigaki Cruz speaks of ideas in the *Magna Carta*, Mexico's constitution, that would emerge as utopian and unworkable in economic and everyday life (Fujigaki Cruz 2005, 166). Accordingly, it is important to analyze what was retained despite the revolution, especially in regard to individual property: although all leading politicians during and after the revolution emphasized *el pueblo* and social issues, the liberal foundations were not shaken, but rather the revolutionary ideas were softened or embedded in the liberal ideas of an interventionist state.

By definition, it can be interpreted that the ideology was retained despite the Mexican Revolution: no other elements were added that were actually incorporated into considerations for the design of the state and land reforms. Only the relationship between state and market was balanced and shifted within the framework of a liberal state. There was talk of an interventionist state and the subordination of individual property to the collective interest (MC, Article 27), but the real implementations lagged far behind the rhetorical confessions.

⁴⁵ "[P]odemos resaltar la continuidad del pensamiento liberal heredado del siglo XIX, en torno a la importancia de la creación de la pequeña propiedad y la necesidad del fraccionamiento de los latifundios; mientras que la herencia, que podríamos llamar "milenarista", de regiones con predominio de comunidades indígenas y campesinas, enfatizaban la defensa de la propiedad communal."

Table 4.1: Overview of Secretaries of Treasury and Presidents of Mexico 1920 until 1965

<i>Secretary of the Treasury</i>		<i>President</i>	
Adolfo de la Huerta	1920-1923	Álvaro Obregón	1920-1924
Alberto J. Pani	1923-1924		
	1924-1927	Plutarco Elías Calles	1924-1928
Luis Montes de Oca	1927-1928		
	1928-1930	Emilio Portes Gil	1928-1930
	1930-1932	Pascual Ortiz Rubio	1930-1932
Albert J. Pani	1932-1932		
	1932-1933	Abelardo L. Rodríguez	1932-1934
Plutarco Elías Calles	1933-1934		
Marte Rodolfo Gómez	1934-1934		
Narcisso Bassols	1934-1935	Lázaro Cárdenas del Río	1934-1940
Eduardo Suárez Aránzolo	1935-1940		
	1940-1946	Manuel Ávila Camacho	1940-1946
Ramón Beteta Quintana	1946-1952	Miguel Alemán	1946-1952
Antonio Carrillo Flores	1952-1958	Adolfo Ruiz Cortines	1952-1958
Antonio Ortiz Mena	1958-1964	Adolfo López Mateos	1958-1964

Source: own compilation.

4.1.2 The Battle of Paradigms 1920 until 1940: Interventionist State vs. Laissez-Faire

It took several years before the design of the Mexican fiscal policy and tax policy – which is at the center of this thesis – began to take shape. Larger reform efforts in the tax system did not occur until the early 1920s. The Mexican concepts did not originate from a national vacuum; the influence of international schools of economic thought was significant. Fiscal policy as a whole was considered elementary to achieve the revolutionary goals (the rhetoric remained the same despite retaining libertarian ideology and a paradigm shift only). While the fiscal policy previously served a small group of the rich at the expense of the bulk of the poor, as Secretary of the Treasury Alberto J. Pani put it (Finance Secretary 1923-1927, 1932-1933), it was now about time to be reshaped as to allow the state to intervene in the economy and pay taxes in proportion to the ability-to-pay (Pani 1955, 20).

Alberto J. Pani (1878-1955) is described by Eugenio Rovzar as a "capitalista revolucionario" (Rovzar 1978). In 1910, Pani joined the Mexican Revolution with the intention of helping to shape a new economic order. In the 1920s and 1930s, he emerged as a key figure in the post-revolutionary government (Rovzar 1978, 205). In his capacity as Secretary of the Treasury from 1923 to

1927 under Presidents Álvaro Obregón and Plutarco Elías Calles, and from 1932 to 1933 under President Pascual Ortiz Rubio, he initiated a number of important laws and reforms – including the inheritance tax. Pani also wrote the laws on the basis of which the Bank of Mexico was founded in 1925 (*Ley General de Instituciones de Crédito* and the Statutes and *Ley Fundamental del Banco de México*; see Fujigaki Cruz 2005, 157). With these laws, Pani finally realized what he had planned long ago, when he and Rafael Nieto, back in 1918, offered Carranza new laws for the regulation of banks and institutions of credit which were based upon the advice of Edwin Walter Kemmerer's advice (Nodari 2019, 233). Kemmerer was a famous US financial advisor, well known in Latin America – especially the Andean countries – and to Pani, who would, although with some delay, approve and install all reforms suggested by “the money doctor” (Nodari 2019, 223-224).

The revolutionary capitalist was born in 1878 in Aguacalientes, northwest of the capital, into a wealthy family. His family belonged to the "rich core"; they owned three haciendas and were very wealthy up until his father squandered most of the family's fortune (Rovzar 1978, 210-215). This in no way prevented Pani from studying in Mexico City (he received a scholarship from the *Escuela Nacional de Ingenieros*) and pursuing a career in the public sector. From 1911 onwards, Pani held various posts in different ministries, went into hiding in the US in times of revolution after the assassination of President Francisco Madero, reappeared shortly after, made diplomatic trips to the US, Paris and enjoyed his time in Europe in 1919/1920. After the assassination of President Carranza, Pani was asked by Obregón, Calles and Adolfo to return to Mexico immediately. That was risky as Pani used to be a supporter of Carranza. However, he quickly turned his allegiance to Obregón and became Foreign Minister, rather holding the post of Finance Minister in 1923. His work in this role was groundbreaking, elementary: it was Pani who introduced the inheritance tax.

Albert J. Pani was Mexico's first Secretary of the Treasury to make great strides in designing the tax system. Following Pani, the state revenue had to be increased, as the responsibility for promoting modernization and thus economic development by providing basic infrastructure and institutions was within the state's realm. According to his political belief, two elements were necessary: on the one hand (international) credits, on the other hand new sources of income that should take account of social improvement and economic justice (Fujigaki Cruz 2005, 160). In this context, Secretary of the Treasury Pani spoke of the “interventionist state”, a concept that apparently came close to the ideas of John Maynard Keynes.

John Maynard Keynes and Alberto J. Pani exchanged letters and shared the conviction that a state had to become more independent or act more nationally and that it needed to take loans to get the economy going. Both were aware, Keynes specifically (as his essay reveals, see Keynes 1933), that their way of thinking was in contrast to the old *laissez-faire* ideas and that the new way of thinking was based on new ideas and beliefs. Without new ideas, a new paradigm and a new corresponding fiscal policy after the Great Depression, the state would be trapped in poverty. As

Keynes pointed out in *National Self-Sufficiency* (1933), which was translated into Spanish and published in Mexico in 1934:

“For the minds of this generation are still so be-clouded by bogus calculations that they distrust conclusions which should be obvious, out of a reliance on a system of financial accounting which casts doubts on whether such an operation will ‘pay’. We have to remain poor because it does not ‘pay’ to be rich.”⁴⁶ (Keynes 1933, 186-187)

Keynes went so far as to blame international laissez-faire capitalism for the political tendencies in Russia, Italy, Ireland, and Germany because the old economic paradigm had brought the states into economic distress, thereby misleading everyone to search for "new economic gods".

“The nineteenth-century free-trader’s economic internationalism assumed that the whole world was, or would be, organised on a basis of private competitive capitalism and of the freedom of private contract inviolably protected by the sanctions of law... the policy of an increased national self-sufficiency is to be considered, not as an ideal in itself, but as directed to the creation of an environment in which other ideals can be safely and conveniently pursued.” (Keynes 1933, 184, 185)⁴⁷

As Fujigaki Cruz emphasizes, what was new about the understanding of the state as expressed by the political ideas and plans of the Secretary of the Treasury Pani was its role to intervene into questions of the market, not as to compete with private business, but for the higher goal to install social justice (Fujigaki Cruz 2005, 161). Pani himself called the fiscal system complicated, incoherent, regressive, and anarchic (Lara Dorantes 2009, 119). As Silvia Herzog interprets, “[t]he economic ideas of engineer Pani are of a liberalism with deep social concern, derived, surely, from the revolutionary principles”⁴⁸ (Silvia Herzog 1967, 506-507). Yet, as pronounced as Pani's social concerns were, Pani was understood as a "complex personality" (Romero Sotelo 2019, 75). By some he was called a liberal as opposed to revolutionary ideas (Romero Sotelo 2019), by others he was called “A Revolutionary Capitalist” (Rovzar 1978). Monika Unda even speaks of Pani as Secretary of the Treasury who was in favor of the economic elites. The inauguration and the design of the income tax shows this ambivalent or, at least, complex relation of Pani towards revolutionary ideas and the business ideas. However, despite being liberal, Pani emphasized the

⁴⁶ In Mexico, published in 1934: “[L]os pensamientos de esta generación están de tal manera oscurecidos por cálculos falsos, que desconfían de conclusiones que deberían ser obvias, porque descansan en un sistema de contabilidad financiera que despierta dudas sobre si tal operación pagará. Tenemos que permanecer pobres porque no paga ser ricos.”

⁴⁷ “El internacionalismo económico del librecambista siglo XIX suponía que todo el mundo estaba o debía estar organizado sobre bases de capitalismo privado competidor y de libertad de contratos privados, invariablemente protegidos por las sanciones de la ley... la política de un creciente abastecimiento nacional, debe considerarse no como un ideal en sí mismo, sino como un medio de crear un ambiente en el cual pueden perseguirse, a salvo y convenientemente, otros ideales.”

⁴⁸ “[I]as ideas económicas del ingeniero Pani son de un liberalismo con honda preocupaciones sociales, derivadas éstas, seguramente, de los principios revolucionarios.”

intervention of the state in the economy as necessary when individual interests were at the expense of the general interest (Silva Herzog 1967, 507).⁴⁹

At the heart of the fiscal modernization in the 1920's after the Mexican Revolution was the Income Tax (*Impuesto sobre la Renta*, ISR) from 1924. The ISR was, like the federal property tax (*Impuesto federal sobre la propiedad*, IFP), one of two attempts to introduce a new direct tax with a new tax basis. The main goal of the ISR was to draw a direct and progressive taxation which would reach the wealthiest and support the working families. According to Pani, taxes would not only serve to fund the state, but also to resist those who tried to put the heaviest burden on the backs of the poor:

“[T]he new tax would reach, directly and progressively, even the largest fortunes, it would favor the working classes, it would help the well-being of families and it would exempt the deprived from all taxes. Its creation pursued, apart from the purpose of increasing the Treasury's resources, it would take advantage of the progressive expansion of its product and remove taxes that are contrary to the revolutionary ideology, in order to transfer the burdens that have weighed more heavily on the poor, despite the strong backs of the rich.” (Pani 1955, 21)⁵⁰

Before the ISR in 1924, the first tax initiative which arose from that political conviction of the President was the IFP from 1922. However, this tax did not enter into force. Following the explanation of Monica Unda, this cannot be accounted for only by the opposition against these two various forms of taxes – being both against the interests of capitalists – but should be understood within the interplay of political and ideological settings (Unda 2018, 319, 321). In the debates about the ISR (the tax on income), the President and Secretary of Finance framed the tax as just, modern, as “the nucleus of the future fiscal system” (Fujigaki Cruz 2005, 160), and in accordance with the objectives of the revolution; while the IFP (the tax on property) could not gain sufficient political support, neither in 1914 nor in 1919, and also not at its third attempt in 1922.

The government of President Álvaro Obregón (1920-1924) understood indirect taxes as an expression and source of inequality and injustice from the Porfiriato era (Unda 2018, 335); it was about time and necessary to implement a more equal and just tax structure. Not only was the dominant narrative about the ISR positive – being just, modern, and revolutionary, thus appropriate for the present and future Mexican state and the people – but the alternative was also defamed as an expression and source of inequality and injustice, and belonging to the past. With the lessons from the failed IFP learned and the revolutionary ideals upheld, the government

⁴⁹ Pani's attitudes have also changed over time; in 1955, for example, he spoke of the fact that it was necessary for the reduction of inflation in Mexico it is important to cut public spending and increase tax revenue, but without increasing the tax ratio (Romero Sotelo 2019, 78).

⁵⁰ “[E]l nuevo impuesto alcanzaría, directa y progresiva, hasta a las más grandes fortunas, favorecería a las clases trabajadoras, ayudaría al bienestar de las familias y eximiría de todo gravamen a los desheredados. Su creación persiguió, aparte de la finalidad de aumentar los recursos del Erario, la de aprovechar la expansión progresiva de su producto en suprimir los impuestos contrarios a la ideología revolucionaria, para ir trasladando las cargas que más pesadamente han gravitado sobre los pobres, a las recias espaldas de los ricos.”

successfully introduced the ISR and, with it, for the first time a direct tax on incomes, after many trial and errors in the past, in which direct taxes never contributed to more than 5.5 per cent of the total tax revenues (Unda 2018, 317).

Not all parts of society were convinced of the repertoire of narratives and inherent justification used by the President Obregón and Secretary of the Treasury Pani. The strongest resistance stemmed from the two business organizations *Confederación de Cámaras Nacionales de Comercio* (CONCANACO) and *Confederación Nacional de Cámaras de la Industria* (CONCAMIN; Unda 2018, 337), which were created in 1917 and 1918 respectively. CONCANACO argued that an income tax would be economically inefficient, as such taxes would affect the savings and thus the investments. As Jáuregui Aboites Aguilar and Luis Jáuregui show, four arguments were especially emphasized by the economic elites: 1) It would oblige only a small share of people to contribute, 2) it would obstruct the expansion, 3) it would transform the current system into a socialist system, and 4) it would be illegal as direct taxes were, since the installation of the federal system in 1824, only under the jurisdiction of state governments (Aboites and Jáuregui 2005, 135-137).

However, also against the resistance from business organizations, the direct tax on incomes was implemented. This was also possible due to disagreements and disunity between CONCANACO and CONCAMIN – Unda speaks of the “fragmented opposition” (Unda 2018, 342) – and the lessons learned from the failure with the IFP. The successful inauguration of the Income Tax ISR meant a real change of the status quo, as it was for the first time in Mexican history that people, the economic elites included, paid direct and, moreover, progressive taxes. However, even if the tax was introduced and may be understood as a change of the status quo and the expression of revolutionary ideals in the fiscal policy (Unda 2018, 319, 321), many concessions to the economic elites were made, especially to the financial sector:

“The ISR included exemptions that made it more palatable and silenced parts of the business groups in opposition. ... the ISR taxed capital profits in the fourth schedule and did not exempt politicians in position of popular election or agricultural income. However, the ISR exempted some types of income and was ‘generous’ with others, such as the banking sector... In fact, the banking sector and insurance companies were subject to the first schedule and not the fourth, as would have been correct given its business nature.”
(Unda 2018, 346)⁵¹

On the one hand, Secretary of the Treasury Pani introduced a direct taxation for the first time in Mexico’s history, which meant a break with the status quo. On the other hand, from the very beginning of the construction of this tax, the economic elites had been given careful consideration in

⁵¹ “El ISR incluía exenciones que lo hacía más apetecible y silenciaban a parte de los grupos empresariales de oposición. ... el ISR gravaba las utilidades de capital en la cédula cuarta y no exentaba a los políticos en cargos de elección popular ni al ingreso agrícola. Sin embargo, el ISR exentaba a algunos tipos de ingreso y era “generoso” con otros, como el sector bancario ... De hecho, el sector bancarios y las compañías aseguradoras estaban sujetas a la cédula primera y no a la cuarta como habría sido correcto dada su naturaleza de negocio.”

its design, with exceptions that made the tax less progressive than the original idea. Despite the revolution, the design of the tax system was clearly geared to taking into account the particular interests of the most powerful economic elites. This privileged treatment of the financial elites reduced the extent and meaning of the changed status quo.

As shown earlier, the ideological dispute involved the question of private property rights versus the demand for redistribution and justice in terms of community and participation. Even if the latter seemed rhetorically stronger and in line with the well-known revolutionary demands, the liberal view that private property should be protected clearly won. In a nutshell, the capitalist ideology did not change with the revolution. What changed, however, was the economic paradigm within the framework of the old ideology: the state should henceforth act in an interventionist manner, and this conviction was also and especially expressed in the newly-introduced and progressive income tax when it came to the design of taxes.

The economic elites successfully lobbied against the property tax, but within the framework of the tax on income, the need for a strong state and the arguments of the Secretary of the Treasury outweighed the power and unity of the economic elites. However, it must not be forgotten that the particular interests of the most powerful economic actors were particularly taken into account in the design of the ISR. Against this background it is now necessary to consider how questions about the future tax system in general and the question of inheritance tax in concrete have been answered. As I will show, we cannot observe a continuous trend, but rather an ongoing struggle both over time, as well as between and within various groups of actors. Before we turn to the inheritance tax in the next chapter and try to understand how these disputes evolved, who and what shaped them, and how the inheritance tax was finally designed, let us first consider the back-and-forth of the two prominent paradigms.

As stated above and presented below in detail, the inheritance tax was introduced under Secretary of the Treasury Alberto J. Pani in 1926. During his first term, Pani introduced various progressive, heterodox tax instruments; but these new laws and reforms, including the paradigm on which they were based, were by no means undisputed. Between Pani's two terms in office, Luis Montes de Oca entered the office as Secretary of Finance from 1927 to 1932. The two politicians exemplify the two schools of thought that were trying to gain the upper hand at that time.

Little is known about the origins of Luis Montes de Oca (1894-1958). About his parents and his immediate family, for example, "*solo tenemos pistas fragmentadas*" (Luis 2020, 21). It is also unknown how he divided his time between his four families, including at least 10 children with four wives (ibid., 22). What is known, however, is that it was Montes de Oca who brought Ludwig von Mises and August von Hayek to Mexico, opening the door to retro-neoliberalism in Mexico (more about retro-neoliberalism, coined by Henderson 2016, see 124). The beginning of a long-lasting exchange was made by Luis Montes de Oca when he invited Ludwig von Mises to write an analysis

of Mexico's political economy.⁵² In 1941, von Mises fled to the United States before the Second World War. These were difficult times for von Mises, as his social networks suffered and because his ideas seemed increasingly unpopular in academia (Henderson 2016, 84).

Not only did Montes de Oca incite him to write a book, but he wanted von Mises to visit Mexico for two months as to give lectures at UNAM, COLMEX, and *Escuela Libre de Derecho*. Montes de Oca had by this time already published Walter Lippmann's *The Good Society* into Spanish and was also planning and interested in publishing *Socialism* by von Mises. Moreover, Montes de Oca was interested in von Mises taking on advisory roles to the Bankers Association or the Miners Association in addition to his teaching duties (Henderson 2016, 86). The latter were willing to pay von Mises a salary over three years; at UNAM, von Mises could give "permanent courses" (ibid., 87). Although this did not happen and von Mises would eventually return to New York, the beginning of a close cooperation and exchange was made.

Von Mises came to Mexico again in 1946, this time contemporaneous with August von Hayek. Their travel expenses were both covered by the *Asociación Mexicana de Cultura* (AMC), which was in turn co-founded by the Bankers Association and Aníbal de Iturbide (Henderson 2016, 107). Iturbide was one of Mexico's most prominent bankers of the 20th century and a close friend of Montes de Oca (ibid.). It was in his interest, as well as that of the AMC's president, Raúl Baillères, to establish institutions that would counteract the interventionism and regulatory state of the 1930s along Cardenist lines (ibid., 108). In the same year of the creation of the AMC, the association in turn created the *Instituto Tecnológico de México*, which in 1985 was renamed *Instituto Tecnológico Autónomo de México* (ITAM). The following year, in 1947, the first meeting of the MPS was held in Switzerland, for which von Mises proposed Montes de Oca as a founding member to von Hayek. Thus, Luis Montes de Oca was one of three Latin Americans proposed by von Mises in 1947; none of them were present at the meeting, but by 1948 they were listed as members of the MPS (Henderson 2016, 169).⁵³

But let us go one step back, to the time when Montes de Oca held the position as Secretary of the Treasury. Back then, Montes de Oca's two main concerns were a balanced budget and a stable exchange rate. The Great Depression of 1929, which also hit Mexico very hard, occurred during Luis Montes de Oca's term. As the Secretary of the Treasury announced in the newspaper *El Nacional* on September 5, 1933, the consequences of the Great Depression for the macroeconomic state of the economy had grown worse every day since the very beginning of the depression; the industry and commerce were paralyzed, wages had fallen, unemployment had risen and, as a result, tax revenues had fallen steadily.

⁵² In *Problemas económicos de México* (von Mises 2000 [1943]), von Mises emphasized that the biggest problem in the Mexican economy lay in the economic policies of President Lázaro Cárdenas. According to Eugenia Romero Sotelo, the importance of von Mises' book has been enormous, especially in times after 1982, when his approaches received special attention and even application (Romero Sotelo 2012, 3).

⁵³ My thanks to Maximiliano Jara-Barrera for providing me with the lists and literature that show the connections of the MPS to Mexico.

Montes de Oca's response to the depression was to cut public spending. Alternatively, according to his (theoretical) conviction, weakening the currency was not an option. The Second National Fiscal Convention was actually supposed to take place during his term of office, but this was postponed indefinitely by Montes de Oca (*El Nacional* 1933b, 5). Instead, a different meeting took place: when he convened a committee to consider the state of the nation on July 25, 1930, the group consisted of bankers, who encouraged him to focus on paying off the debts of foreign creditors. But Montes de Oca's toolkit did not help to get the economy back on track; rather, deflation ensued and Mexico as a whole slipped into a severe economic crisis.

When Alberto J. Pani became Finance Secretary again in February 1932, Pani's actions were diametrically opposed to the Montes de Oca program. In the years that Pani was not in charge as Secretary of the Treasury, he was highly critical of his counterpart. Pani even blamed Montes de Oca for the national misery (Guerrero Mondragón 2005, 180). In Pani's view, the priority should be to stimulate the economy rather than settle the scores of some foreign speculators. He understood the policy of Montes de Oca as "inoportuno", his action would have only worsened the situation. Pani devalued the peso by 41 percent in his second 19-month term, the budget deficit rose from 13 million to 23 million pesos, minted nearly 40 million pesos, and borrowed more than 10 million pesos (Romero Sotelo 2019, 82).

As Guerrero Mondragón puts it, the laissez-faire economic paradigm on which Montes de Oca acted was very much called into question, also because the promises of the policies designed according to these beliefs were not kept and too many anomalies caused the whole construct to falter:

“There was a strong questioning of liberal capitalism in different ways: because of the injustices caused by worker exploitation, because legal freedom did not ensure the proper functioning of economic competition; because reality showed the inexistence of automatic mechanisms that would guarantee economic balance etc. All this criticism of the laissez-faire regime oriented economic thought to accept the idea of a more directed or more socially controlled economy, because they were not fulfilling the objectives of economic well-being and because competition itself had broken with the development of the monopoly. Under these conditions, the welfare economy was being developed.”
(Guerrero Mondragón 2005, 179)⁵⁴

While, on the one hand, laissez-faire offered no satisfying answers to the pressing questions, in the United States, President Roosevelt's New Deal – following a diametrically different logic and

⁵⁴ “Hubo un fuerte cuestionamiento al capitalismo liberal en different sentidos: por las injusticias que provocaba la explotación obrera, porque la libertad jurídica no aseguraba el correcto funcionamiento de la competencia económica; porque la realidad mostraba la inexistencia de mecanismos automáticos que garantizaran el equilibrio económico; etc. Todas estas críticas al régimen de laissez-faire orientaron el pensamiento económico a aceptar la idea de una economía más dirigida o más controlada socialmente, porque no estaban cumpliendo los objetivos de bienestar económico y porque la competencia misma se había roto con el desarrollo de los monopolios. En estas condiciones, se fue desarrollando la economía del bienestar.”

paradigm – was internationally successful at the time; public spending was increased, the currency was devalued, and the economy was boosted. Pani also used these instruments as part of his currency reform on March 9, 1932 to react to deflation by devaluing the currency and giving priority to the national economy over the service of foreign loans. Instead of paying off the debts of foreign creditors, as Montes de Oca had preferred in previous years, Pani chose loans and active state intervention as the right course of action.

Pani's understanding of the role of the state and the corresponding policies became known as the *Estado Interventor*, the interventionist state. Pani thus acted anti-cyclically and gave, according to his conviction, the ideas of President Lázaro Cárdenas the framework they needed to develop. The back-and-forth of the paradigms between laissez-faire and interventionist state was ultimately decided by President Lázaro Cárdenas for the time being, namely in favor of the heterodox ideas following Finance Secretary Alberto J. Pani. In President Cárdenas' speeches, the role he assigned to the state was strong and important and should be further developed. On September 30, 1934, he announced in clear words: "Only the State has a general interest, and therefore only the state has an overall vision. The intervention of the State must become stronger, more and more frequent and more and more thorough"⁵⁵ (Cárdenas, 1934, n.p.).

In the same speech, he shared his impressions from his election campaign, when he witnessed the sheer inequality and injustices in the country from which the great masses of workers suffered (ibid.). Pani's important successor in office, Eduardo Suárez (1935-1946), built on the existing foundation of his predecessor and had many years to form and cement institutions according to the concrete ideas of President Cárdenas. Not only were instruments adapted or new ones chosen, but the goals as a whole were formulated differently; thus, according to Peter Hall's definition in *Social Learning*, we may speak of a paradigm battle (Hall 1993, see here in the theoretical approach, 40).

One of the most important differences between laissez-faire and interventionists was that, for the latter, fiscal policy was understood as an important tool to promote economic growth while reducing inequality (Guerrero Mondragón 2005, 189). The stability of the currency and exchange rates were no longer mentioned as the most important goal, but instead economic growth became the first concern. It should be emphasized in particular that economic growth and the reduction of inequality were not understood as a tradeoff (as later in neoliberalism, see Stiglitz 2015). Both goals were set: an improvement in economic performance and a better distribution of resources. The state as an actor should "boost the performance of the national economy and remedy as far as possible the inequalities that come from defects in the organization of society"⁵⁶ (Cárdenas 09/01/1936, 2; cited after Guerrero Mondragón 2005, 189).

⁵⁵ "Sólo el Estado tiene un interés general, y, por eso, sólo él tiene una visión de conjunto. La intervención del Estado, ha de ser cada vez mayor, cada vez más frecuente y cada vez más a fondo."

⁵⁶ "elevar el rendimiento de la economía nacional y remediar en lo posible las desigualdades que provienen de los defectos de la organización de la sociedad."

Luis Montes de Oca became director of the Bank of Mexico (1935-1940) under President Lázaro Cárdenas. In this important position, he was able to exert a strong influence on fiscal policy. According to Romero Sotelo, although this position for Montes de Oca may have seemed strange, it was a smart move. Because Montes de Oca had already shown that his conceptions of financial policy were contrary to those of the President and the Secretary of Finance, he was able to act as an intermediary between the private banking sector and the government (Romero Sotelo 2012, 4). The policies of Cárdenas and Suárez continued to follow the same trend; their orientation had clearly given priority to social goals over the fiscal concerns of the bank director. At the beginning of his six-year term in office, President Cárdenas was rhetorically closer to the classic economic ideas, but more important than sticking to economic ideas were his social goals.

Furthermore, as Alan Knight shows, a renewal of the political elite took place and thus made it easier to implement new ideas. Between 1935 and 1936,

“in part it was a replacement of those who were ‘inside’ by those who were ‘outside’; in part it was the triumph of the radicals, and in part it was still a generational change, with the incorporation of more young people and technocrats to the Cardenista movement” (Knight 2006, 203; cited after Romero Sotelo 2012, 5).

In Knight’s opinion, these political vicissitudes with former President Plutarco Elias Calles and his defeat allowed Cárdenas to consolidate his authority and “concentrate his energy on the reforms”⁵⁷ (ibid.). These changes empowered President Cárdenas and put him in the driver’s seat to proceed with his project.

A further factor beyond the national level on which a paradigm change was pursued, was the increasing international influence of Keynes’ ideas in academia and politics. Approval for his anticyclical fiscal policy grew and, most importantly, the planned social reforms were given solid ground within his concepts (Guerrero Mondragón 2005, 197). However, according to Jesús Silva Herzog (about whom we will learn more hereinafter), it was not Keynes but Secretary of the Treasury Eduardo Suárez Aránzalo (1935-1946) who invented the *déficit creador*:

“Here [in Mexico] we thought without knowing the Keynesian thesis of the *deficit creator*, we thought that if we released money into circulation, new capital and movements would be created in the economic system of the country”⁵⁸ (interview from 1969, cited after Romero Sotelo 2012, 10).

⁵⁷ “En parte fue un reemplazo de los que estaban ‘adentro’ por los que estaban ‘afuera’; en parte fue el triunfo de los radicales, y en parte aún fue un cambio generacional, al incorporarse líderes más jóvenes y tecnócratas al carro cardenista. En su opinión, estos avatares políticos con Calles y su derrota, permitieron a Cárdenas consolidar su autoridad y [...] concentrar su energía en la reforma”.

⁵⁸ “Aquí pensábamos sin conocer la tesis keynesiana del *déficit creador*, pensando que, si lanzábamos dinero a la circulación, se creaba nuevos capitales y movimientos en la vida económica del país.”

Whether the ideas came originally from Eduardo Suárez or not cannot be said with certainty. After all, his predecessor Pani was already in correspondence with Keynes and, as mentioned at the beginning, the international discourse was also well known to Mexican politicians. Regardless of the origin of the ideas, as Guerrero Mondragón elaborates in detail, one can recognize the *Sexenio* of Cárdenas from the transition away from the classical orthodoxy to the new heterodox economic school of thought: “The predominance of this new paradigm as the driver of national macroeconomic policy constitutes one of the singularities that mark the period of definition of the *Interventionist State* in Mexico”⁵⁹ (Guerrero Mondragón 2005, 197; italics by the author).

The anti-cyclical ideas that Pani gradually declared to be the new model over time were consistently applied by his successor Eduardo Suárez Aranzolo, who stated that there was no alternative to the new political approach. Suárez was Secretary of the Treasury from 1935 to 1946. Throughout his tenure, he shaped the central economic policy debates on stability versus growth, or balance versus welfare (Guerrero Mondragón 2005, 198). Although he was in line with Keynes in terms of questions about the active role of the state, Suárez’s attitude towards investments differed from Keynes since, according to Suárez, it was not only a question of stimulating demand but also of the composition of the investments: it must be invested in means of production in such a way that the country’s production increases. His attitude regarding the role of the state and his closeness to Keynesian ideas was particularly evident in the direct contrast to Montes de Oca.

In 1937, Montes de Oca addressed President Cárdenas and Secretary of the Treasury Suárez via a memorandum – an act he had based on his new responsibilities as director of the Bank of Mexico and a change in law in 1936 – in which Montes de Oca warned of the consequences of continuing their economic and fiscal policy. Suárez’s response was cynical: “Could we say: what is important is not to increase the national income and the Mexican economy, what matters above all is the liquidity of the Bank of Mexico?” (Guerrero Mondragón 2005, 206)⁶⁰. Suárez’s priority was clearly economic development and not the stability of the currency. To help the economy grow, Mexico needed both new domestic lending opportunities and international lenders. For the purpose of the former, the “Organic Law of the Bank of Mexico” (*La Ley Orgánica del Banco de México*) was passed in 1936, with which the bank, founded just eleven years earlier, received a new constitution that prioritized monetary functions, determined that the bank would no longer work with private clients, regulated cash flows, and instructed that the state should not grant more than 10 percent of the income in credit (Romero Sotelo 2012, 7). As Romero Sotelo puts it, the law had specific political intentions:

“It was intended that the bank would not become subject to rigid rules but rather that it would receive all the flexibility to accommodate its policy to the needs of the country. For

⁵⁹ “El predominio de este nuevo paradigma como conductor de la política macroeconómica nacional constituye una de las singularidades que marcan el periodo de definición del Estado Interventor en México.”

⁶⁰ “Podríamos ... decir: lo importante no es la economía de México, lo importante no es aumentar la renta nacional, ¿lo que importa sobre todo es la liquidez del banco de México?”

this reason, its directors were given a broad power of decision and responsibility in the management of the institution's policy." (Romero Sotelo 2012, 7)^{61 62}

Basically, Suárez assigned long-term credits an important role for stabilization and economic equilibrium, which Suárez also advocated at the Bretton Woods Conference in 1944 and for which he was supported by Keynes (Guerrero Mondragón 2005, 208-209). In contrast to Keynes, however, Suárez did not attach great importance to taxes, as will be shown in more detail below. An important figure who shared many important economic ideas with Suárez was Jesús Silva Herzog. In various positions, including deputy Secretary of the Treasury, but also as an adviser, Silva Herzog was at Suárez's side throughout his years as Secretary of the Treasury. Both shared the conviction that money should be circulated (in a targeted manner and by the state) in order to generate more productive capital in the long term. Out of this firm conviction arose the policy and also the term of the state as the *déficit creador* (Guerrero Mondragon 2005, 209). The state should create deficit in an anticyclical fashion once and whenever the economy was in a bad shape as to boost the demand and thus the economy.

The nationalization of oil seemed particularly important to Silva Herzog, both to free Mexico from colonial shackles, but above all because economic independence was understood as a premise for political independence: "The political independence of a nation, we must never forget, depends on its economic independence"⁶³ (Silva Herzog 1984, 87; cited after Guerrero Mondragón 2005, 212). Above all, however, the nationalization of claims to oil meant the realization of one of the main claims since the Mexican Revolution. This conviction (in the sense of the relationship between state, market, and property) was already formulated in the constitution in 1917, but it was still necessary to do justice to it institutionally. What was missing until President Cárdenas was in office was the appropriate economic paradigm which would allow the appropriate tools to be used.

Since the first law on oil and the liberal concessions under Porfirio Díaz of December 24, 1901, oil had been extracted by various foreign companies. However, this did not happen in the interest of the people or the Mexican nation, but primarily enriched foreign companies. On March 18, 1938, based on the expropriation law of September 1936, the companies were expropriated and nationalized and *Petróleos Mexicanos* (Pemex) was founded (Guerrero Mondragón 2005, 215).

The state promoted economic growth and saw itself as an important player in guaranteeing a welfare state. According to Silva Herzog, no modern country believed in laissez-fair economic liberalism any longer. Even more vehemently, he accused everyone who believed that the state

⁶¹ "[S]e quiso que el banco no estuviese sujeto a reglas rígidas sino que tuviese toda la flexibilidad para acomodar su política a las necesidades del país. Por lo cual se dio a sus directores una amplia facultad de decisión y de responsabilidad en el manejo de la política de la institución."

⁶² As early as of 1937, when the US stock market collapsed, Mexico's economy (56 percent of its exports went to the USA) suffered so much that emergency loans of 90 million pesos were taken out. That was 50 million pesos more than the regulation would have allowed, measured by the state revenues of 400 million pesos and the corresponding 40 million pesos upper limit; see Romero Sotelo 2012, 9.

⁶³ "La independencia política de una Nación, no hay que olvidarlo jamás, depende de su independencia económica."

only serves to ensure the security of its citizens to be “mentally retarded” (“*débiles mentales*”, Silva Herzog, cited after Guerrero Mondragón 2005, 215). With this statement, Silva Herzog also indicated that everyone who still believed in laissez-faire liberalism was backward-looking, not modern, and even stupid. A new sovereignty of meaning was thus solidified discursively. The fact that he expressed himself so radically and directly also has to do with how he wanted to be perceived: not as a politician, but as a revolutionary who wanted to change the economic system and put an end to social injustice (Guerrero Mondragón 2005, 215).

As Guerrero Mondragón summarizes, the period from 1910 to 1940 was the period in which the state was defined as *Estado Interventor*, marked by a nationalistic economy in the interest of the population.

“Since the Constitution in 1917, this ideology has been established on the basis of imposing a set of limitations on private property, restricting the activities of foreigners and, more generally, restricting or limiting the functioning of nineteenth-century liberalism.” (Guerrero Mondragón 2005, 219)⁶⁴

Between 1910 and 1940, the “battle of ideas” (as expressed by Hayek, see Thompson 2007, 10) fought between the classical orthodoxy and the heterodox school, was initially clearly won by the liberal representatives, who were able to prevent a change in ideology. However, after a brief struggle between Alberto J. Pani and Luis Montes de Oca, the alignment was clearly pro the interventionist state. Like a boxing match, there were many rounds and both sides took big hits. There weren't just two players in the same position in the ring; what counted was the interaction of advisors, Secretaries of the Treasury, and presidents.

The international level was also important: in times of the global economic crisis in 1932, Roosevelt's New Deal provided answers and instructions for a new paradigm that was diametrically opposed to the old one in many respects and which could not provide any answers to the pressing questions. This was what the worldwide Great Depression revealed and what further fueled heterodox ideas. The *Zeitgeist* was elementary: the attitude of the entire country, which had been shaped by the values and norms of the revolution, determined which aspects were given priority. From today's perspective, it seems bizarre that only a short time after the revolution, Montes de Oca, being an economist who did not internalize these values, norms, and ideas – and who tried to implement a classic, orthodox financial policy – became Secretary of the Treasury. But in the end, it can be seen that there was a constant back-and-forth, a fight for the sovereignty of interpretation of the ideology and paradigms over several rounds.

Ultimately, however, the heterodox ideas won the upper hand, embedded in a capitalist ideology within which fiscal policy was understood as an instrument that also served to reduce economic

⁶⁴ "Desde la Constitución de 1917, esta ideología se fue constituyendo sobre la base de imponer un conjunto de limitaciones a la propiedad privada restringir las actividades de los extranjeros y, de manera más general, restringir o acotar el funcionamiento del liberalismo del siglo XIX".

inequalities (Guerrero Mondragón 2005, 221). A number of Secretaries of the Treasury and key officials aligned many aspects of their policies with Keynesian ideas, such as Pani during his times in office. Eduardo Suárez did this consistently, as did Narciso Bassols García and Jesús Silva Herzog when it was of importance to establish the active role of the state in economic issues (but not in tax policy issues, as we shall see shortly). Luis Montes de Oca was the only one in the line of secretaries of the Treasury who stuck to the old orthodox paradigm and later held the position as director of the Bank of Mexico.

The other secretaries, however, were clear advocates of economic and national independence and anticyclical policies, for putting Mexico's interests before those of foreign investors, and for a strong state that both borrows and collects taxes not only for higher revenues, but also to reduce inequality. Given that the interests of the economic elite were taken into account to such a high extent, as shown in regard to the income tax ISR, even if we might speak of the change of the status quo, at least under Pani no major shift occurred. His successor Suárez was more aligned with the norms and values expressed in the constitution. The strongest case was clearly made when Pemex was founded; this, indeed, can be interpreted as one of the clearest indicators of the paradigm shift.

4.1.3 Inheritance Tax Laws 1924 to 1940: In the Name of the Revolution

Now that ideological and paradigmatic shifts and debates have been presented, as well as first narratives about taxes in general, we turn to the inheritance tax and its narratives in detail. The fiscal convention of 1925 already set the narrative that corresponded to the economic paradigm of the then President Plutarco Elías Calles and his Secretary of the Treasury Alberto J. Pani. In the following, I will analyze how and in what framework this narrative legally manifested itself, and how the narratives changed over time. I will first analyze the legal texts. The question is: How has the legal situation, manifested in the inheritance law, changed? In a second step, I will focus on the narratives of the inheritance tax: How was the inheritance tax presented, how were continuities and changes in its design framed over time, and how was it legitimized?

Not all details of inheritance tax will be analyzed, but rather those aspects that are considered relevant for the processing of the research question: the marginal tax rate, how progressive the tax was designed, which exceptions were made for whom, who benefited from the tax revenue, and how violations of the law on inheritance tax were sanctioned and framed.

Some dates are of particular relevance for the following analysis: The First National Fiscal Convention took place in 1925 and paved the way for the introduction of the inheritance tax. The tax reforms of the inheritance tax are dated August 25, 1926, and April 25, 1934. Between the first and second inheritance tax laws, the Second National Fiscal Convention of 1933 took place, which

must not be left out of the analysis of the narratives. For this first part, there are thus four historical dates around which I can analyze what the narratives (and also paradigms and ideologies) looked like in the sense of the *repertoires of narratives* around the inheritance tax. In addition, the new laws were often accompanied by decrees that provided for individual changes to paragraphs.

1925: First National Tax Convention paves the way

The First National Fiscal Convention (hereafter referred to as First Convention) of 1925 was particularly important for the introduction of the inheritance tax. From August 10 to 20 in 1925, President of the Mexican Republic Plutarco Elías Calles (1924-1928) and Secretary of the Treasury Alberto J. Pani (1923-1927, 1932-1933) inaugurated the First Convention. The main objectives were to unify and simplify the country's tax system on three levels of federal, state, and municipality (task of the first commission); maximize its efficiency regarding its collection; and to formulate an excise plan (task of the second commission). The National Fiscal Conventions would consist of the Secretary of the Treasury Alberto J. Pani, state governors of all Mexican states, and representatives of the Federal District. These members of the National Fiscal Conventions would gather to discuss how to organize, harmonize, and align more than 100 different existing taxes into a coherent national tax system (Sánchez Ramírez 2020, 4-5; Diaz-Caeyeros 2006, 49).

The inheritance tax was also on the agenda: The tax was to be designed progressively according to the principle of ability-to-pay, allow no exceptions from the payment of the tax, distribute revenues to the federal states, but also involve the federal estate (Tépach Marcial 2004, 10). The progressive tax on territorial inheritances was meant to be installed as a means to prevent heirs from benefiting from assets that gave rise to inequality (Tépach Marcial 2004, 11). According to the plan of the First Convention, it was of utmost importance to create an inheritance law that would tax all forms of inheritances, legacies, and donations the same in all Mexico.

The recommendations of the First Convention had not received the necessary two-thirds majority of the Federal Chamber of Deputies which would have been needed, as the changes on the inheritance tax were included in a pursued reform of the constitution; the proposals missed 43 percent of the total of votes (Díaz-Cayeros 2006, 64). Even if the entire package of the First Convention was not approved by the *Congreso de la Unión*, at least it legitimized the individual tax plans of the president – a necessary first step which also made it possible to introduce an inheritance tax in 1926. The previous Secretaries of the Treasury Rafael Nieto (1917-1919) and Luis Cabrera Lobato (1919-1920) had already tried to introduce a progressive inheritance tax at the national level (Fujigaki Cruz 2005, 159). While Nieto and Cabrera Lobato failed, Alberto J. Pani was able to realize his plans. The reorganization of the fiscal system was understood as one of the priorities of the government, because in its existing form it would make an increase in production and the circulation of wealth almost impossible (*Secretaría de Hacienda y Crédito Público (SHCP) 1932 [1925]*, 57). The new system was to be designed in such a way “that it produces the maximum

yield compatible with the economic potential of the Republic and equitably distributes the burden of taxes” (Pani 1926, 9).⁶⁵

Pani is said to have exchanged letters with John Maynard Keynes and to have been close to him and his financial policy ideas. His conviction, the preparatory work of his predecessors, and a corresponding paradigm (which he was able to shape strongly himself), as well as the clever approach in the sense of the First National Fiscal Convention, which legitimized the president's plans, strengthened the plan to introduce an inheritance tax.

1926: First federal law on inheritance taxation

The first uniformly regulated national inheritance tax came into effect on August 25, 1926 (*Ley del Impuesto sobre herencias y legados* (LISHL) 1926, see Andrade n.d., 528). Originally planned as one of many planned tax laws of the First Convention, the tax was finally introduced on its own because the entire package of the First Convention did not go through. The tax was introduced in a joint act by President Rodríguez and Secretary of the Treasury Pani.⁶⁶

The law was created to become the first federal law on inheritance taxation but would have to be implemented by the states. It would be paid based on the amount the heir receives (LISHL 1926, Art. 1), it applied to movable and immovable capital if it was inherited by Mexicans, and was also to be paid by foreigners if their last place of residence was within Mexico's borders. There was Tariff A for inheritances within the state and Tariff B for inheritances outside of the state. The tax rate was progressive, with a tax allowance of 1,000 pesos and depending on the ratio of the deceased to the heir. It started in the first degree for children and spouses at 4 percent for an inheritance between 1,000 and 10,000 pesos and went up in eleven increments to 20 percent for amounts over 200,000 pesos. The amounts for the fifth degree (for strangers) started at 22.5 percent and went up to 40 percent. 40 percent of the revenue was to go to the respective state; 60 percent would benefit the federal state of Mexico.

⁶⁵ „para que produzca el rendimiento máximo compatible con la potencialidad económica de la República y distribuya equitativamente la carga de los impuestos.“

⁶⁶ Laws may be initiated by the President of the Republic, by either of the two chambers of the Congress (senators and deputies), and by the legislature of the states and of Mexico City.

Figure 4.1: Tax rates according to the inheritance tax law in Mexico, 1926

Capital heredado	Ascendentes, descendentes y cónyuge	Parientes consanguíneos Colaterales			Del quinto en adelante y extraños
		2º grado	3º grado	4º grado	
Por los primeros \$ 1,000.00 o fracción.					Exentos
Por los \$ 9,000.00 siguientes o fracción.	4. %	6.4%	10.0%	15.5%	22.5%
Por los \$ 10,000.00 siguientes o fracción.	4.5 „	6.6 „	10.2 „	15.8 „	23.0 „
Por los \$ 10,000.00 siguientes o fracción.	5.5 „	8. „	10.5 „	16.1 „	23.4 „
Por los \$ 20,000.00 siguientes o fracción.	6.5 „	8.6 „	11.3 „	17.0 „	24.4 „
Por los \$ 20,000.00 siguientes o fracción.	7.5 „	9.5 „	12.0 „	18.8 „	25.1 „
Por los \$ 30,000.00 siguientes o fracción.	8.5 „	10.6 „	13.2 „	19.0 „	26.6 „
Por los \$ 50,000.00 siguientes o fracción.	10. „	12.5 „	15.1 „	20. „	28.8 „
Por los \$ 50,000.00 siguientes o fracción.	11. „	13.3 „	17.0 „	21. „	31.0 „
Por los \$ 100,000.00 siguientes o fracción.	12.5 „	15.8 „	18. „	22. „	35.6 „
Por los \$ 200,000.00 siguientes o fracción.	15. „	20. „	21. „	24. „	37.5 „
Por las cantidades mayores.	20. „	22. „	23. „	26. „	40. „

Source: Andrade n.d., 529.

In Tariff B, the tax rate was also progressive, with a tax exemption of 1,000 pesos (depending on the relation of the deceased to the heir). It started in the first degree for children and spouses at 1.5 percent for an inheritance between 1,000 and 10,000 pesos and went up in twelve increments to 4 percent for amounts over 300,000 pesos. The amounts for the fifth degree (without family relation) started at 10 percent and went up to 15 percent.

Capital on which Mexicans were already taxed outside the country would not be taxed again. This would avoid double taxation. Minors would receive a reduction in the amount of tax of between 20 and 3 percent within the first three degrees, depending on their age – under 10, 14, and 18 years. The sanctions were regulated in Chapter IV. Article 34 regulated who would have to pay penalties; Article 35 regulated how high these penalties were. Not only heirs who were late in submitting documents or paying the sum, but also the heads of public administrations and civil judges would have to pay between 10 and 500 pesos in fines (*ibid.*, 542). Less than a year later, in June 1927, a decree announced that, in general, for each month of delay in paying taxes, the amount of 2 percent of the tax due would be payable. This form of sanction affected several taxes, such as income tax as well as inheritance and gift tax (Art. 35, paragraph III⁶⁷). In January 1928, judges, attorneys, notaries, and authorized officials were also included among those who would have to pay penalties if they failed to fulfill their responsibilities and roles (Cap. IV, Art. 34, paragraphs VI and VII).

⁶⁷ This decree was understood as so important that it was also reported on the first page of *El Informador* (1927a, 1).

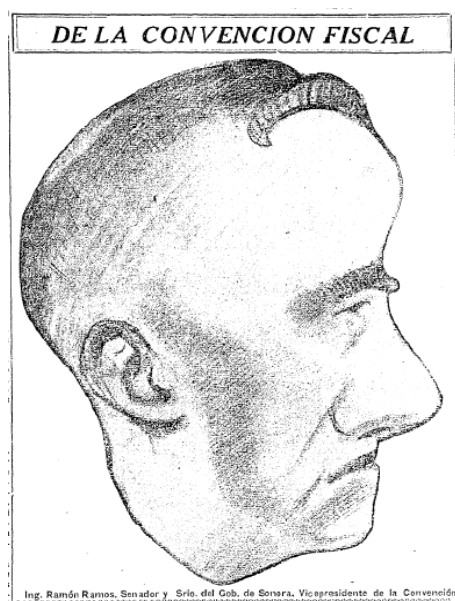
The law on the taxation of donations was regulated separately but was passed on the same day as the inheritance tax – August 25, 1926 (*Ley del Impuesto sobre Donaciones* (LISD) 1926, see Andrade n.d., 576). The tax would be due 30 days after receipt of the donation (ibid., Art. 1). Taxes would be on gifts that are non-movable capital within the national territory, movable capital whenever the origin of the capital was within the borders, as well as capital given to foreigners when they were in the country (Art. 2). The tax must be paid by the recipient, but the donor was also responsible for paying the tax, which should preferably come from the gift itself (Art. 3). The state, territories, state department, and municipalities were exempt from tax liability. If multiple donations were made, the entirety of the donations would be used for the tax base. The tax amounts for gifts were identical to the tax amounts for inheritances, as were the level and form of the sanctions.

1933: Second National Fiscal Convention

From February 20 to April 11, 1933, the Second National Fiscal Convention (hereinafter Second Convention) was convened by President Abelardo L. Rodríguez (1932-1934) and his Treasury Secretary Alberto J. Pani (1932-1933). The goals of the First and Second Convention remained the same.⁶⁸ The results of the conventions had the character of concrete recommendations to increase the productivity of the country and to improve economic development by creating a unified tax system. Various types of taxes were on the agenda: the property tax, tax on commerce and industry, special taxes on industry, as well as capital taxes, including inheritances, legacies, and donations. According to Alberto Díaz-Cayeros, the Second Convention learned from the mistakes of the first and designed the proposals in such a way that no constitutional changes and two-thirds majorities were necessary (Díaz-Cayeros 2006, 66). Great importance was attached to standardizing the tax amounts for inheritances, since the amounts differed greatly from 1926 to this point in time due to the lack of implementation of the law in the individual states: In some states the marginal tax rates went up to 12 percent, for the same case in others until 50 percent, in some states the system was proportional, in others progressive (*El Nacional* 1933a, 3).

⁶⁸ To create a national fiscal plan, eliminate competition between the three levels of local, state, and national governments, reduce the cost of tax collection, simplify the tax system, and distribute the tax amounts better (Informe Presidencial, in: *El Nacional* 1933, 5).

Figure 4.2: Caricature of Ramón Ramos, Vice President of the Second Convention, 1933



Source: *El Nacional* 1933a, 3; Article on the Second Convention, likeness of Ramón Ramos, Senator from Sonora and Vice President of the Second Convention.

The timing could have worked to the detriment of the political weight of the Second Convention, as it took place right at the end of the presidency and the beginning of World War II. Regardless, it became clear that the inheritance tax was seen as an important part of the tax instruments. And, as made clear by decree of March 9, 1934, the results of this Second Convention were very significant: the laws on "*herencias y legados*" and "*donaciones*" of August 25, 1926 were repealed and replaced by a new one, which "was elaborated by the Commission of the Second National Fiscal Convention and approved by the Secretary of the Treasury"⁶⁹ (LISHL 1934, see Andrade n.d., 527, 575). In addition, Chapter XI of the Inheritance Tax Law states that any reforms or additions must first be consulted with the Permanent Commission of the National Fiscal Convention (Cap. XI, 574 of the Inheritance Tax or Cap. X of the Gift Tax, 605). This gives the Permanent Commission an institutionally important status: Without the representatives of the individual states, the Federal District, and the Secretary of the Treasury in the realm a national fiscal convention, no changes could be pursued.

1933: Sanctions and valuations of goods by decree

Even before the new law came into force in 1934, it was decided by decree of April 6, 1933 in relation to Article 19 that current prices (which were often lower at the time) should be used to value goods (see Andrade n.d. 535). In addition, penalties could be an amount between 10 and

⁶⁹ „...que elaboró la Comisión Permanente de la Segunda Convención Nacional Fiscal, aprobada por la Scretaría de Hacienda.”

500 pesos. If inheritance amounts were concealed, 100 percent of the total concealed amount would be due as a penalty – i.e. the entire inheritance would go to the state. Should the tax be paid too late, an increasingly higher sum would be due monthly as a percentage of the amount of the tax due as a sanction, starting at 1 percent up to a total amount of 48 percent (this maximum was set on August 26, 1935). The notaries would also pay penalties if they concealed inheritance goods (25 percent of the amount of inheritance tax due).

1934: Increase and tightening of the inheritance tax

On March 6, 1934, President Abelardo L. Rodríguez (1932-1934) and his Secretary of the Treasury, Marte R. Gómez (1934), signed the new law, which went into effect on April 20, 1934 (LISHL 1934, see Andrade n.d., 547). The tax amount was determined in 39 steps, at five degrees, without any tax exemption and starting in the first degree at 4 percent up to 1,000 pesos and up to 29 percent over 500,000 pesos. The second through fifth degrees would start at 6, 8, 10, 12, and 20 percent up to 1,000 pesos and increase up to 36, 44, 54, and 64 percent for amounts over 500,000 pesos. Compared to the inheritance tax of 1926, many more steps were introduced, further differentiated up to 500,000 pesos, rates were increased, and exemptions were removed. In addition, Tariff B (for foreign inheritances) was dropped. Article 6 defines some exemptions from the tax:

- In the first degree, if the inheritance in the form of money did not transfer 500 pesos and no further capital was inherited.
- *Concubinas* were also included in this group if they lived with their partner for more than five years or if they had children together and there was no other wife besides them.
- When dealing with family heirlooms whose value that does not exceed 1,000 pesos.
- And importantly: inheritances made directly to the State (VII.) or used to establish a charitable institution and public education (if considered as such under Mexican law).

A reduction in marginal tax rates was introduced for wives and life partners (10 percent), people with disabilities or partial disabilities (who cannot work, 20 and 15 percent, respectively) and minors (depending on family degree and age, between 4 and 12 percent), and older people (8 and 12 percent) – but only for amounts under 100,000 pesos. The ratio of 40 percent for the national state budget and 60 percent for the state was maintained (Art. 39). The late payment penalty (2 percent for each additional month up to a maximum of 48 percent) remained. The same applies to the taxation of real estate and land, the tax amounts of which were set in relation to one another: if the property existed for less than 20 years, the taxable value was paid 70 percent from it and 30 percent from the land. With each decade, the value of the property fell by 10 percent and the value in the assessment of the property increased by 10 percent (finally for more than 70-year-old properties, 10 percent of the property value and 90 percent of the land value would be used for the assessment) (Andrade n.d., 532, 555). The rental income was also precisely determined.

If the inheritance would be received within state borders, documents with all details about the heirs, the deceased, and the degree of kinship should be submitted to the Ministry of Treasury within 60 days (120 days if the inheritance was outside of the state; 180 days if it was abroad; Art. 27). The 1934 law was extended in detail to include the description of plants, animals, and objects which were classified and treated differently in groups A and B. Penalties were also expanded: These could include up to 200 percent of the omitted tax, or even fines of up to 1,000 pesos on the part of local or federal officials if they did not carry out their duties properly (Cap. X, Art. 64-66).

Figure 4.3: Tax rates according to the inheritance tax law in Mexico, 1934

T A R I F A :

Porción heredada	Ascendientes Descendientes Cónyuge Concubina Padres adop. Hijos Adop.					5º grado en adelante y extraños
	2º grado	3er. grado	4º grado			
Hasta 1,000.00	4. %	6. %	8. %	12. %	20. %	
De 2,000.00	4.1 "	6.1 "	8.1 "	12.2 "	20.3 "	
" 3,000.00	4.2 "	6.2 "	8.2 "	12.4 "	20.6 "	
" 4,000.00	4.3 "	6.3 "	8.3 "	12.6 "	20.9 "	
" 5,000.00	4.4 "	6.4 "	8.4 "	12.8 "	21.2 "	
" 6,000.00	4.5 "	6.5 "	8.5 "	13. "	21.5 "	
" 7,000.00	4.6 "	6.6 "	8.6 "	13.2 "	21.8 "	
" 8,000.00	4.7 "	6.7 "	8.7 "	13.4 "	22.1 "	
" 9,000.00	4.8 "	6.8 "	8.8 "	13.6 "	22.4 "	
" 10,000.00	5. "	7. "	9. "	14. "	23. "	
" 12,000.00	5.2 "	7.2 "	9.2 "	14.3 "	23.4 "	
" 14,000.00	5.4 "	7.4 "	9.4 "	14.6 "	23.8 "	
" 16,000.00	5.6 "	7.6 "	9.6 "	14.8 "	24.2 "	
" 18,000.00	5.8 "	7.8 "	9.8 "	15.1 "	24.6 "	
" 20,000.00	6. "	8. "	10. "	15.4 "	25. "	
" 22,000.00	6.2 "	8.2 "	10.4 "	15.7 "	25.4 "	

Porción heredada	Ascendientes Descendientes Cónyuge Concubina Padres adop. Hijos Adop.					5º grado en adelante y extraños
	2º grado	3er. grado	4º grado			
De 24,000.00	6.4%	8.4%	10.8%	16. %	25.8%	
" 26,000.00	6.6 "	8.6 "	11.2 "	16.3 "	26.2 "	
" 28,000.00	6.8 "	8.8 "	11.6 "	16.6 "	26.6 "	
" 30,000.00	7. "	9. "	12. "	17. "	27. "	
" 35,000.00	7.5 "	9.5 "	12.5 "	17.5 "	27.5 "	
" 40,000.00	8. "	10. "	13. "	18. "	28. "	
" 45,000.00	8.5 "	10.5 "	13.5 "	18.5 "	28.5 "	
" 50,000.00	9. "	11. "	14. "	19. "	29. "	
" 60,000.00	10. "	12. "	15. "	20. "	30. "	
" 70,000.00	11. "	13. "	16. "	21. "	31. "	
" 80,000.00	12. "	14. "	17. "	22. "	32. "	
" 90,000.00	13. "	15. "	18. "	23. "	33. "	
" 100,000.00	14. "	16. "	19. "	24. "	34. "	
" 120,000.00	15. "	17. "	20. "	25.2 "	35.4 "	
" 140,000.00	16. "	18. "	21. "	26.4 "	36.8 "	
" 160,000.00	17. "	19. "	22. "	27.6 "	38.2 "	
" 180,000.00	18. "	20. "	23. "	28.3 "	39.6 "	
" 200,000.00	19. "	22. "	24. "	30. "	40. "	
" 250,000.00	20. "	24. "	26.5 "	33. "	43. "	
" 300,000.00	21. "	26. "	29. "	36. "	46. "	
" 400,000.00	23. "	28. "	34. "	42. "	52. "	
" 500,000.00	26. "	32. "	39. "	48. "	58. "	
" 500,000.01 en adelante	29. "	36. "	44. "	54. "	64. "	

Source: Andrade n.d., 548-549.

On April 25, 1934, with a slight delay to the relevant Inheritance Tax Act, the new Gift Tax Act was passed (LISD 1934, see Andrade n.d. 583). Compared to the 1926 law, donations were also defined as taxable if they were abroad but made to residents of Mexico (Art. 3). A loophole which became evident was closed. The tax rates were also increased in accordance with the Inheritance Tax Act and now amounted to between 4 and 29 percent in the first degree and between 20 and 65 percent in the fifth degree (thus one percentage point higher than the inheritance tax). As was the case beforehand, the gift tax was almost identical to the inheritance tax in terms of amounts and penalties. The level of penalties for late payments was also 2 percent of the tax amount per month, up to a maximum of 48 percent (Art. 40).⁷⁰

The new law came into effect the day after the new inheritance tax law, on May 1, 1934. On March 16, 1937, a decree stipulated that donations of up to 500 pesos in the first degree remained untaxed (Art. 5, see Andrade n.d., 585-586). Also exempt from gift tax were gifts made to the federal state, state, or municipality.

Newspaper coverage: by elites for elites, complicated and nearly non-existent

The newspaper research should help to complement the narratives about the inheritance tax in order to find out not only the political discourse, but also the discourse in (parts of the) society. However, newspaper research in Mexico must be treated with great caution. First, it is important to note by whom it was designed and to whom it was addressed. According to Benjamin T. Smith, the literacy of the population had risen since the *Porfiriato*⁷¹ from 14 to 42 percent by 1940, and by 1970, 76 percent of all Mexicans could read (Smith 2018, 15). By far not everyone in the population would have been able to follow the debates in the newspapers. At the same time, radio became increasingly popular, so that by the end of the 1950s around four out of five households already had a radio (Smith 2018, 25). Second, taxes are a complex issue that even if you could read and had access to newspapers, only a small fraction of the population would approach the topic. Third, the coverage of the inheritance tax was marginal. This is a finding in itself: there was very little engagement with the topic of inheritance taxes. Over time, the thematization was subject to fluctuations, which also suggests conclusions about the changing relevance of the topic. Yet upon closer inspection of the articles, even in the 1920s and 1930s, many articles contained no opinion or debate and merely mentioned the legal processes.

Also, in comparison to other types of taxes and other topics, the debate about inheritance tax was almost non-existent. This can be clearly seen thanks to the N-gram by Google.Inc – although it

⁷⁰ The only difference lies in Chapters VI and VII and the role of third parties, which in Inheritance Tax are detailed and separate from the duties of notaries and civil servants. A difference that is not relevant for this work. There are also differences in the implementation and in the details (e.g. the gift tax says “violations and sanctions, the inheritance tax only says “sanctions”), but these are not important either, as they are not of a substantive nature.

⁷¹ The period when Porfirio Diaz was President of Mexico (1876-1880, 1884-1911).

must be remembered here that the search for books (not newspapers) does not only include Mexican works, but Spanish works in general. Even if this distinction has to be made, the result is unmistakable: the inheritance tax was not of interest, and the body of articles analyzing the narratives was correspondingly very small.

Figure 4.4: How many times were taxes on inheritance in books in Spanish mentioned (not Mexican only), 1920 until 2010?

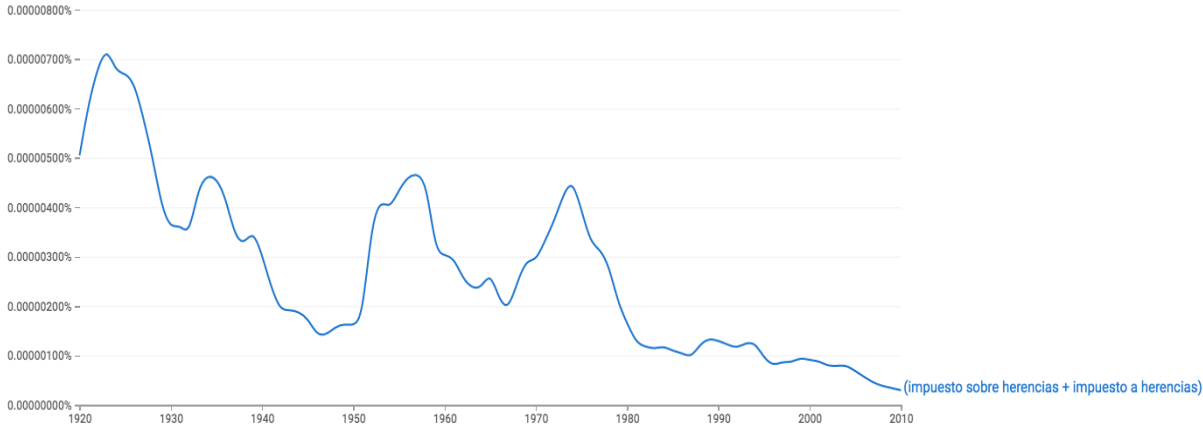
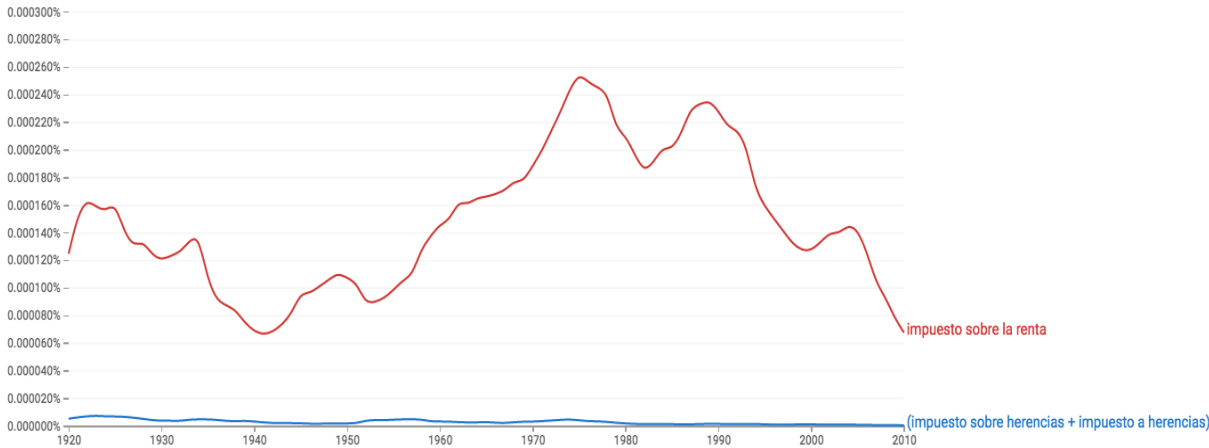


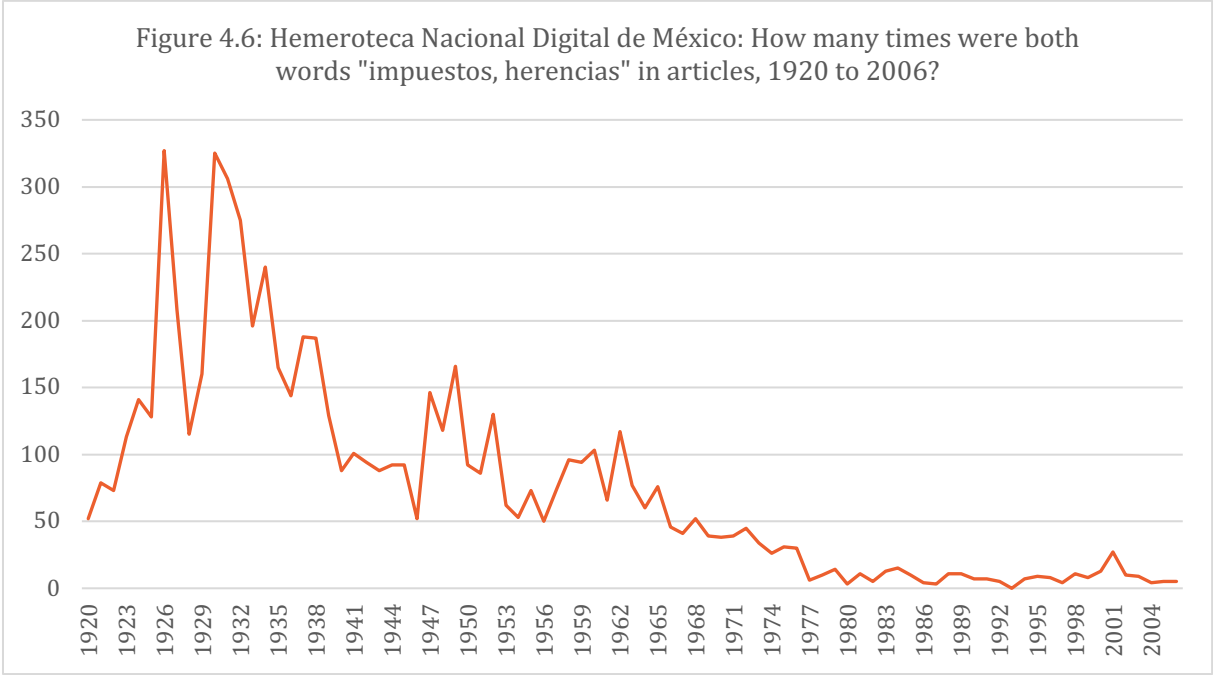
Figure 4.5: How many times were taxes on inheritance in comparison to income taxes in Spanish books in Spanish (not Mexican only), from 1920 until 2010?



Source: ngrams 2022 [02/14/2022].

A final aspect concerns the research circumstances: For the newspaper research, national media were sought in the *Hemeroteca Nacional* of the *Universidad Nacional Autónoma México*. The *Hemeroteca* has a digitized newspaper archive that can only be viewed on site, which made research difficult during the Corona pandemic. In the database it is possible to enter the newspapers, years of publication, and keywords. For this research, I accessed the database between February and April 2022, searching national newspapers for the keywords "impuesto"

and "herencia". Even if hundreds of hits were sometimes achieved in a few years, these were often just information on legislative projects or amendments. In the period from 1926 to 1940 there were very few articles that dealt with the substance of inheritance tax; this applied to only 29 articles in the two big newspapers *El Informador* and *El Nacional*.



N=6573. Source: own compilation.

The attempt to gain access to *Excelsior* was futile due to the pandemic. Since the beginning of the pandemic in March 2020, the archive has been closed to visitors; until my third research stay in August and September 2022, there was no possibility to independently search for and analyze newspapers in the archive.⁷² Even if the "yield" is very small, the quantity of the results is already an expression of the importance of the inheritance tax in social discourse and is therefore an important indicator: at no moment in time was greater attention paid to the inheritance. Below I give a summary of the results of the research for the context chapter.

Brief outline of the reporting

While the inheritance tax was portrayed as very important and fair when it was introduced by political leaders such as Secretary of the Treasury Alberto J. Pani, the press largely conveyed a different picture. The editorial section of *El Informador*, for instance, repeatedly and consistently reported negatively about the inheritance tax and the framing was continuously critical. From the outset it was assumed that the competent authorities did not understand the tax and its implications in detail, that the Permanent Commission of the National Fiscal Convention was not

⁷² Last telephone call to *Excelsior* was on August 22, 2022.

legitimized by the Constitution, and that it was unconstitutional because it had six days of recourse (which violated Art. 14 of the constitution) (*El Informador* 1926a, 3). It expressed the position that "(t)he tax on inheritances is neither just nor proportional"⁷³. The editor board found the inheritance tax extremely distressing and a failure overall.

The argument that inheritance was a gain through no one's own doing and should therefore be taxed by the treasury was, in their view, wrong, as it attacked the right to property that mankind has accepted for centuries. "The right to property is a logical and inescapable consequence of the right to work and to take unlimited advantage of the product of this work"⁷⁴ (*El Informador* 1926 b, 3). "Articles 4 and 5 of our Constitution guarantee the right to work and to dispose of the fruits of that work; and Art. 16 largely guarantees property, liberty, and life" (ibid.).

Another reason why the tax was viewed as neither fair nor proportional was that it would "absorb" an excessive amount of up to one-third. The tone was cynical: "So the owner can freely dispose of his assets, consume them and even destroy them, but if he wants to donate or inherit them, he has to share a good part of this assets share with the State"⁷⁵ (ibid.). The family-motif was also brought up. What one has earned in order with the expectation of bequeathing it to their family must now also in part go to the state, sometimes a quarter; this is "absurd and unfair". It would kill all incentives to save and would encourage people to find ways to avoid the tax, "which of course are never lacking, not least for the big capitalists"⁷⁶ (ibid.). Finally, the assessment of land and rental income was uniformly regulated, although different conditions across the country applied.

In just a few articles between 1926 and 1930, most of the liberal arguments against an inheritance tax came to light. There was no room for weighing pros and cons. Further narratives implied that the inheritance tax caused more damage and higher costs than it collected, as an increase in taxes was counterproductive from a certain point (e.g. *El Informador* 1930a, 3). On November 25, 1930, *El Informador* reported that Representative Margarito C. Rios submitted a motion to abolish the inheritance tax on the grounds that the tax "caused damage to the familiar patrimony" (first time mentioned as the main contra-argument), and furthermore the tax was so complicated and lengthy that the heirs would lose interest in the inheritance (*El Informador* 1930b, 3). As would happen with all taxes which are very high and "notoriously unfair", "everyone" would try to avoid this tax as well (ibid.). The heirs were described as nothing more than the representatives of the bequeather: heirs "are the continuation of his personality in terms of property rights" (ibid.)⁷⁷. Basically, the attitude of the editors of *El Informador* is very critical and negative towards inheritance and gift taxes. As early as of 1926, the marginal tax rate of the inheritance tax was

⁷³ "No es equitativo ni proporcional el impuesto a herencias."

⁷⁴ "El derecho a la propiedad es una consecuencia lógica e ineludible del derecho de trabajar y de aprovechar de un modo ilimitado el producto de este trabajo."

⁷⁵ "De modo que el propietario puede disponer libremente de sus bienes, consumirlos y hasta destruirlos, pero si quiere donarlos o heredarlos, tiene que hacer partícipe al Estado de una buena parte de ellos."

⁷⁶ "Que por su puesto nunca faltan, ni menos a los grandes capitalistas."

⁷⁷ "„Son la continuación de su personalidad en cuanto al derecho de propiedad“.

classified as too high, although Mexico was one of the countries with the lowest inheritance tax rates in Latin America. Overall, any form of direct taxation was viewed critically, including the income tax ISR, which was “humiliating and uneconomic, by virtue of the fact that it burdens human work and obstructs productive work at its origin”⁷⁸ (*El Informador* 1927b, 3). Their position did not change over the years and so, in 1931, in the run-up to the coming fiscal convention, the editors argued for the abolition of the inheritance tax – at least for spouses and direct ancestors and descendants (*El Informador* 1931, 3).

Luis B. Varela wrote in October 1934 that with the new inheritance tax law the state would make itself the largest owner and rentier in the country (*El Informador* 1934, 3). The tax would not be against capitalism, but against capital (as a factor of production) itself. While the inheritance tax was viewed very critically, at the same time inheritance as such was framed as the greatest achievement in life, for example in a book review by Horacio Alba: “Inheritance, more than death, is our contribution to life”⁷⁹ (*El Nacional* 1932, 3). Even though this article does not deal with inheritance tax, it does deal with the subject and shows how important bequeaths were considered and described. The way Alba framed the inheritance, it cannot and should not be taxed because it would go to the very foundations of humanity and what constitutes it.

All in all, the few content-related articles were very critical of the inheritance tax. An exception is an article from October 4, 1934 in *El Nacional*. This article stated that the inheritance tax carries all the revolutionary weight. The new law would be an expression of the very specific Mexican socialism:

“The Mexican socialism is of its own nature, since it does not incur in communist exaggerations, nor does it strengthen capitalism to the detriment of popular interests. It gives guarantees to the worker ... and does not allow excesses neither of one nor of the other.” (*El Nacional* 1934a, 3)⁸⁰

And the fact that adopted children and unmarried partners were included in the tax reductions would testify the high level of justice.

“Revolutionary public power... today lays its hand on an institution of private law that has caused more harm than benefits and that in the impossibility of being abolished will be used in capitalist culminations, for State services and of the community, through the regulatory action of tax rates.” (*El Nacional* 1934a, 3)⁸¹

⁷⁸ “Vejatorio y antieconómico, en virtud de que grava el trabajo humano y obstrucciona en su origen las labores productivas.”

⁷⁹ “La herencia, más que la muerte, es nuestra contribución a las vida.”

⁸⁰ “[E]l socialismo mexicano es de naturaleza propia, pues no incurre en las exageraciones comunistas, ni fortalece al capitalismo con perjuicio de los intereses populares. Da garantías al trabajador ... y no permite los excesos no de los unos ni de los otros.”

⁸¹ „El poder público revolucionario ... pone hoy la mano en una institución de derecho privado que ha causado más perjuicios que beneficios y que en la imposibilidad de ser suprimida será aprovechada en las culminaciones capitalistas, para los servicios del Estado y de la colectividad, por medio de la acción reguladora de las tarifas fiscales.“

Mention should be made of Carlos Duplan, who shed light on new aspects in an article he wrote for *El Nacional* on May 14, 1934 (*El Nacional* 1934b, 3). In his opinion, the inheritance tax was the most despised tax for two reasons: First, the people did not want to understand the moral and economic legitimacy and justification; second, the tax was designed to be onerous and complicated. The 1926 law was so poorly designed that it was hated and almost impossible to pay. In principle, the inheritance tax could have been designed to be the most moral and easiest to apply, but the government had not succeeded. Inheritance tax could be understood as complementary to the income tax; with the great advantage that the inheritance tax also includes capital that previously escaped taxation, such as in the case of increases in land and real estate – values which increased year after year.

In another article in *El Nacional* of May 31, 1934 (*El Nacional* 1934c, 3) by Carlos Duplan, the author described the increased quotas as in agreement with the government and generally speaking as appropriate, but in his opinion, this was not the right time for it. A general approval by the people for the inheritance tax should have first been established before it increased further.

Newspaper research in the *Hemeroteca Nacional* for the period from 1926 to 1940 revealed that the inheritance tax was only very rarely a topic. If it was dealt with, it was either factually and in the form of the printed legal texts or mostly negative and critical. This was not only true of inheritance taxes; articles dealing with taxes in general (which occurred during the National Fiscal Conventions) were also generally negative towards taxes as a democratic tool. Of the newspapers that have been accessible in the *Hemeroteca Nacional* since the revolution, the article of October 4, 1934 (*El Informador* 1934) is the only exception in which the inheritance tax was reported positively in a normative manner.

4.1.4 Interpretation of the Legislative Changes and Analysis of the RON 1920 to 1940

As described, the inheritance tax was also on the agenda at the First National Fiscal Convention in 1925: the tax should be structured progressively according to the ability to pay principle, not allow any exceptions to the payment of the tax, should go to the states, but also involve the federal estate (Tépach Marcial 2004, 10). A very important aspect was the understanding of the function of the inheritance tax to explicitly reduce inequality. While inheritance was legitimate and family relationships were considered important – reflected in the different tax brackets depending on the degree of relationship – it was also recognized that inheritance contributed to fostering inequality and that the state needed to counteract this effect via a tax.

The act of bequeathing was fine per se and family bonds were respected, but as inheritances cause inequality, an inheritance tax would accordingly help to reduce inequality. The tax should be

applied on all inheritances, not only the liquid capital, should be progressive, and should be higher the weaker the family bond was. Weaker people in society, “the young, women and the old”, should – in accordance with the ability-to-pay principle – pay less (Diario de los Debates, 09/01/1925, cited after Tépach Marcial 2004, 10). Direct taxes were also preferred because indirect taxes were understood as absolutely unjust and malicious (SHCP 1932, 57). The sanctions showed that the political actors were serious: tax evasion was severely punished, and this affected all the actors involved in the process – not only the heirs, but also the judges, lawyers, notaries, and officials.

That donations were also and equally highly taxed was an expression of the fact that politicians were serious about taxes, giving no room for tax avoidance. Why the laws were regulated separately and not together is not explained and, unfortunately, I do not know the considerations behind this decision. However, the different regulations function as a good indicator for interpreting how seriously the taxation of capital in the form of gifts and inheritances was taken. In contrast to later legal texts, the older Mexican legal texts on inheritance and gift tax do not give any justification. Therefore, no explicit narratives can be read directly; rather, the resolutions and declarations from the First National Fiscal Convention of August 25, 1926 provide a basis for interpretation and a reconstruction of the narrative.

If one compares the narratives that can be identified through the Fiscal Convention with the structure of the inheritance tax, it can be said that the narratives of the Fiscal Convention from the repertoire of narratives during the *Interventionist State-paradigm* have been implemented by law. The idea that the inheritance tax should consider family closeness dominated the RON. At the same time, it was understood as an important tool to reduce inequality; in terms of social justice, the inheritance tax would immediately reduce the effect that it itself causes – namely the reproduction of inequality – since it was designed to be progressive in accordance with the ability-to-pay principle. The Second National Fiscal Convention of 1933 confirmed the inheritance tax in its existing form and even attempted to strengthen it. The intention was a nationwide standardization.

Perhaps the most important act that strengthened the inheritance tax was the introduction of the National Fiscal Convention as a democratic and mandatory body. One can certainly understand this regulation as the establishment of a veto player as, according to this decision, changes to the status quo would simply not be legal without that alliance. When the new inheritance tax law came into force on March 6, 1934, the inheritance tax was further increased and some changes were made that corresponded more to the reality of life in Mexico, showed that the socio-economically weaker members of society should be given more protection, and were an expression of the broad and modern concept of families. For example, *concurbinas* were also included in the first tax bracket if they had lived with their deceased partner for more than five years. Minors and people with disabilities paid less if the inheritance did not exceed 100,000 pesos. Inheritances that the state determined were used for charitable institutions and for public education were also exempt from tax. The increased penalties of up to 200 percent of the inheritance, the closure of loopholes

(e.g., taxation of inheritances and gifts abroad), and the extension of tax liability to animals and objects show how important the inheritance tax was considered.

However, inheritance and gift taxes were not entirely undisputed. According to an official pronouncement of October 25, 1937, 12 states had introduced the new inheritance tax law on that date and another 16 were reviewing it at that time (Andrade n.d., 654-656). Unfortunately, it is not possible to say why the overall implementation failed: whether due to a lack of funds or a lack of political will in the sense of an opposition to the new tax. In addition, the inheritance tax obviously had opponents who were quite important and prominent. In 1938, then Deputy Treasury Secretary Eduardo Villaseñor, who was later director of the Bank of Mexico from 1940 to 1946, attempted to abolish the inheritance tax (Lozano Noriega 1963, 60). Villaseñor gave the following five reasons:

1. The inheritance tax was "ridiculous" because one tried to hide everything that was possible;
2. The tax was too high;
3. An abolition would be welcomed because the tax was seen as a threat to economic wellbeing;
4. An abolition would attract foreign investment;
5. It would be fiscally advisable to tax the product and not the capital.

This reasoning was consistent with the narratives already put forward in the CANCANACO and CONCAMIN income tax context. When President Álvaro Obregón and Secretary of the Treasury Alberto J. Pani declared indirect taxes as a source of inequality and unjust, business associations countered that direct taxes were economically inefficient because they would discourage saving and investment. Eduardo Villaseñor's narratives are congruent with those of the economic elite; their repertoire of narratives was embedded in the paradigm which put the market over the state. According to Francisco Lozano Noriega (1963, 60), however, the narratives cited did not carry sufficient weight and thus Villaseñor's attempt failed. The familiar patrimony would be damaged, and the tax would be incompatible with property rights of the family. According to Noriega, the left-wing governments of the time understood an abolition of the inheritance tax as a protective measure for the economically strong (ibid., 61).

Even if the Deputy Treasury Secretary's attempt was not crowned with success and may appear "ridiculous" in view of the increases that had just been passed, this attempt shows that the opponents of the inheritance tax intended to continue to have a say in the discourse. The inheritance tax and the narrative of a fair and important tax was by no means without controversy. At no time were the heterodox narratives alone, but merely dominant. Note the narratives above: the narratives against an inheritance tax have not changed since the debates began (we will compare the arguments side-by-side later). What changed were the weights and dynamics in the discourse: from 1920 to 1940, the dominant repertoire of narratives fit into the heterodox economic paradigm of a strong interventionist state⁸², embedded in a social democracy. The

⁸² The interventionist national state was much debated on an international level and established e.g. in the US under President Roosevelt and his "New Deal" from 1933 to 1938, see Skocpol and Finegold 1982.

influence of the economic elites and bankers was still small, they were not yet sufficiently structured, and obviously could not hold their own against the secretaries of the Treasury and presidents, who represented and implemented other norms and values.

Narrative analysis 1920 to 1940

The legal texts show how seriously and in which hierarchy certain aspects were considered and compared to one another. The most important narratives in favor of the inheritance tax were those that shaped the revolution. The main narratives about taxes in general and inheritance taxes specifically can be interpreted as a RON that democracy and thus the state matters. Hereinafter I interpret and present the RON of the Mexican political elite.

Table 4.2 presents the frequency of narratives. As described in chapter 3.1.1 (see pages 45-47): The strongest narrative of each group sets the benchmark, further narratives are defined as strong (75 percent or more than the references in relation to the strongest narrative), moderate (between 25 and 75 percent), or weak (less than 25 percent). I define a RON according to the narrative analysis which brings together all narratives that are moderate, strong, or strongest.

For Mexico – different than in Germany – I also added narratives of further sources, e.g. in the following from media. Otherwise the contra-narratives in this time period (1920-1940) and the pro-narratives of the following (1940-1965) could not be presented (as only one or the other would be expressed in the legal texts). I chose to broaden the material corpus because I would otherwise not be able to present contingencies and breaks in the various RON groups. However, the scarce number of sources has to be taken into consideration, especially in the final comparison of Mexico and Germany. Given that I strive to show the RONs within the Mexican political elite, the interpretation is about the pro-RON only.

Table 4.2: RONs of the Mexican elite about the inheritance tax, 1920-1940

<i>Mexican political elite (and media)</i>	<i>1920-1940</i>	
	Pro	Contra
Storyteller	ST Pani P Elias Calles P Cárdenas	ST Montes de Oca DST Villaseñor (media)
<i>Value based</i>	12	13
Fairness, Justice	3	
Principle of Equality	1	
Principle of merit	1	
Ownership Principle (Family)	1	7
Framework conditions	6	6
<i>Macrosocial</i>	10	7
Means to an end	1	
Democracy	4	
Inequality	3	2
Home ownership		
Economic reference	2	5
Double taxation		
Socialism, communism		
<i>Dissatisfaction, suspicions</i>		2
Dissatisfaction		2
State budget		
Corruption		
<i>Envy and resentment</i>		4
Principle of justice		2
Envy		
State begrudged		2
<i>Property preservation</i>	5	5
Principle of equality		
Property principle	1	2
Types of income	2	2
Foreign dimension	2	1

Legend of table 4.2 for individual narratives and categories

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	6	12	7	13
Strong	5	9-11	6	10-12
Moderate	2-4	3-8	2-5	4-9
Weak	1	1-2	1	1-3

Note, for this and following tables and legends alike: strongest: most references; strong: 75% or more than the references in relation to the strongest narrative; moderate: between 25% and 75%; weak: less than 25%. ST: Secretary of the Treasury; P: President; DST: Deputy Secretary of the Treasury.

From 1920 to 1940, political advocates for an inheritance tax were almost exclusively represented. The most frequently mentioned narratives came from the value-based category: it was understood as necessary to set the right framework as to establish justice. Sanctions were necessary because tax evasion and tax avoidance were, according to the principle of equality, strictly unacceptable and damaged state and society. Furthermore, direct taxes were considered important; it was understood as necessary to implement an equal and just tax structure with direct taxes on income and wealth, as indirect taxes were an expression and source of inequality and injustice. In the interests of social justice, it was seen as the duty of the state to uphold the principle of ability-to-pay and make taxes progressive: the higher the total inheritance, the higher the taxes. The five different grades indicated the importance of the family: the closer the deceased was to the heir, the lower were the marginal tax rates. The individual was thus placed in relation to the state when determining the tax to be paid for the community and the state – family ties were important and took precedence over the state.

Second after value-based narratives were macrosocial ones: democracy was most often mentioned; democracy and justice were often mentioned together; those were at the foreground. The most important actor to establish justice is the state. The National Fiscal Convention as a democratic body was very important and gave not only ideas and legitimation to the fiscal reforms but was also installed as a veto player. Taxes were not only used to finance the state; they should reduce existing inequalities, especially such economic inequalities that arose because of the inherent logic of the structures and processes of the capitalist system. This also included inheritance: inheritance causes inequality, so the state must counteract this inequality and levy taxes. In addition, the state needed income to be able to contribute to the country's economic development as an actor. The inheritance tax was an expression of the revolutionary will and the testimony of Mexico's own socialism.

Narratives about property and its preservation also found their way into the discourse. The understanding of property rights did not expire with death but persisted within the family. The high inheritance sums of over 200,000 pesos were taxed between 20 and 40 percent. This corresponded to the international, western conventions, who taxed according to the same levels. This finding allows the conclusion that tax policy was not set within a national, revolutionary framework, but was based on international trends and the then dominant economic paradigm in the US and European countries.

4.1.5 Paradigm Changes from 1940 until 1965: Towards the Stabilizing Development

As I will argue in this chapter, we can observe a clear paradigm change between Mexico after the revolution (1920-1940) and after 1940. Considered particularly interesting and helpful for contextualizing the debates about the economic paradigms from 1940 until the abolition of the inheritance tax in 1962 is firstly a debate that was sparked in 1955 by former Secretary of the Treasury Alberto J. Pani and which retrospectively took up the most important orientations of fiscal policy. Secondly, a well-researched exchange around 1960 between economist Nicolas Kaldor and Finance Minister Ortiz Mena (who abolished the inheritance tax in 1962) is the expression of change; it helps to understand the debates of that time and the role of the economic elites in shaping the agenda.

The Secretaries Debate: *Desrollistas* vs. Orthodox Monetarists

To understand the continuities and breaks in the Mexican economic paradigm, let us jump forth historically to the mid-1950s. In 1954, under President Adolfo Ruiz Cortines, Secretary of the Treasury Antonio Carillo Flores devalued the peso sharply in the wake of severe economic problems. This step was so severe that the *New York Times* reported on April 20, 1954: “Antonio Carillo Flores, Secretary of the Treasury, said today that Mexico had devalued the peso because the only alternative to ‘this painful measure’ was exchange controls” (*NYT* 1954). A year after the devaluation of the peso in 1954, the book *El problema supremo de México* by former Secretary of the Treasury Alberto J. Pani was published in 1955. In his book, Pani criticizes the fiscal policy of his successors Luis Montes de Oca (1927-1931), Eduardo Suárez (1936-1946), and Ramón Beteta (1947-1952), as well as the course taken by the presidents Lázaro Cárdenas, Manuel Ávila Camacho, Miguel Alemán, and Adolfo Ruiz Cortines. In other words: Pani's criticism extends over 25 years of economic and financial policy and thus reveals the basic ideas, similarities, and contradictions of the various configurations of the incumbent presidents and secretaries of the Treasury.

Pani did not criticize the devaluation of the peso on April 18 (the day of proclamation) or rather April 20, 1954 (when it came into effect). The devaluation from 8.65 pesos per US dollar to 12.50 pesos per dollar was even called *Sábado de Gloria* (Saturday of Glory) and marked the beginning of stable economic growth and a phase of *desarrollo estabilizador* that lasted from 1952 to 1970 (Martín 2021; *El Universal* 2018). The main subject matter underlying Pani's book is the very high inflation in Mexico that preceded the devaluation. Even if the inflation as such is not the subject of the investigation, this book and also the handling of the problem has fueled the theoretical debate and provides good material for interpretation. The main theses of Pani's book were published in the newspaper *Excelsior* (printed between May 3 and 6, 1955), and sparked a controversy between Pani and Eduardo Suárez (in *Novedades*) and Ramón Beteta (in *Excelsior* and *Hoy*). This

debate became known as the *Secretaries Debate* (*El debate ministerial*, Manero 1957⁸³). Luis Montes de Oca did not intervene; the reasons for this are unknown. Since Montes de Oca died only three years after this debate, his health might explain why.

However, the debate between Pani, Suárez, and Beteta ran mainly along the lines between the *Desarrollistas* on the one hand and an orthodox monetary conviction on the other (Turrent 2008). To fight inflation, Pani advocated for planning the country's industrialization and cutting public spending (Romero Sotelo 2019, 78). Regarding taxes, he was persuaded that, while revenues must increase, this must be done without increasing any tax rates. Monetary stability was the first and most important condition for the success of his financial policy ideas (Pani 1955, 202). The puzzle then, as María Eugenia Romero Sotelo (2019) elaborates, is twofold: Why was the former Secretary of the Treasury against the political instruments of Eduardo Suárez and Ramón Beteta, when he himself while in office primarily introduced and used heterodox instruments (Romero Sotelo 2019, 70)? And why, if he changed his mind so strongly and was now in line with Montes de Oca, did he criticize Montes de Oca?

Pani's criticism towards Luis Montes de Oca in the past when he was active as Secretary of the Treasury was well known – their differences were enormous. But it is surprising that Pani seemed to have switched sides, being then against the fiscal policy of Suárez and Beteta, while nevertheless criticizing all three. While Pani, as Secretary of the Treasury in the 1920s and 1930s, spoke of the important role of the state in the country's development, in 1955 the first necessary condition for him was that politics should not allow capitalism to evolve into "state capitalism" (Pani 1955, 202). "Economic freedom" was the second necessary condition as to overcome the current problems. The third consisted of the "administrative moralization" intended to create ideal conditions for lucrative enterprises.⁸⁴

Pani's arguments were similar to Luis Montes de Oca's during his days in office: Public spending would contribute to inflation because the state pumped too much into the market to stimulate infrastructure projects. According to this view, there was too much money in circulation, which drove up prices and depressed the value of the peso. Taking a closer look at the analysis of the problem and the corresponding endorsement of political instruments, Romero Sotelo states that she cannot understand Pani's criticism of Luis Montes de Oca: Pani and Montes de Oca seem to agree on the important points. Fiscally, the two advocated the same ideas (Romero Sotelo 2019, 85) and represented the orthodox monetary school of thought. Romero Sotelo therefore suspects political and personal reasons for Pani's criticism of Montes de Oca.

Eduardo Suárez (1935-1946) and Ramón Beteta (1946-1952) both belonged to the *Desarrollista* school of thought. According to Francisco Suárez, the following aspects are characteristic for this school: the promotion of economic development is the main objective (inflation could be a

⁸³ Manero, Antonio. 1957. "La Revolución Bancaria en México", Talleres Gráficos de la nación; here: Romero Sotelo 2019.

⁸⁴ For a detailed analysis of arguments, see e.g. Manero 1957, Romero Sotelo 2019.

tolerable cost); second, the State should be activist and interventionist; third, a catch up by a strong economic nationalism was desirable; fourth, industrialization would ideally be accompanied by agricultural development; fifth, public investment, especially in infrastructure, is sought as a motor for development; and sixth, the Central Bank should support development – not only fight inflation (Suárez Dávila 2005, 229-230).

Eduardo Suárez believed that monetary stability often came at the expense of economic growth. Instead of stability, he gave priority to the country's economic development and considered the investment of public funds in infrastructure as an important means, even if the state went into debt in the sense of the "*financiamiento deficitario*". With this perspective, he was much closer to the "former Pani", an ascertainment which Suárez recalled in his answers in *Excelsior*: Pani himself was the first Secretary of the Treasury to opt for an anti-cyclical approach; thus, if he wanted to criticize inflationary secretaries, he should begin with himself (Suárez 1955, cited after Romero Sotelo 2019, 88).

Suárez could not understand Pani's change. Ramón Beteta, first Deputy Secretary of the Treasury under Eduardo Suárez and then his successor in office from 1946 to 1952, was a disciple of Suárez and also belonged to the *Desarollista* school of thought. Beteta firmly rejected Pani's accusations. According to Beteta, the causes of the inflation were external shocks of the post-war period: no policy could have done anything against inflation and the following depreciation of the peso against the dollar. During Beteta's term of office, the Third National Fiscal Convention in 1947 took place, out of which, among other things, a new tax was introduced: *el Impuesto sobre Ingresos Mercantiles* (ISIM), the predecessor of the *Impuesto al Valor Agregado* (IVA; the Mexican counterpart to the German *Mehrwertsteuer*, MwSt). As Peter Smith (2001, 336) points out, in a speech to the *Cooperación de Trabajadores* (CTM), President Miguel Alemán announced that "the private business should have complete freedom and count on the support of the State, as long as it acts in the name of the interest of all"⁸⁵ (cited after Romero Sotelo 2019, 91).

This statement, the introduction of ISIM and the last aspect regarding the stand towards the business sector, are very important when trying to interpret the ministerial debate. They show that it was not – as was mostly the case in European and American debates – a dispute between neo-/liberals or ordoliberalists on the one hand and Keynesians on the other. The two leading schools of thought – those that exerted the most influence in the economic and financial policy and discourse – did not agree on the tools to deal with inflation. But on the goals and attitudes towards the relationship between state and market, and in regard to state and the economic elite, their perspectives were the same.

The fact that Suárez and Beteta acted counter-cyclically and advocated an active role for the state did not mean that they oriented their policies in accordance with the U.S. or many European

⁸⁵ "La empresa privada debería tener libertad completa y contar con el apoyo del Estado, siempre y cuando actuara en nombre del interés de todos."

countries. The debate over the direction of fiscal policy took place between orthodoxy and the *Desarollistas*. On the orthodox side was the first Secretary of the Treasury to use heterodox instruments, introducing direct income taxes and inheritance taxes (Pani), but who was now closest in conviction to the one whom he had previously criticized most (Montes de Oca). On the other side were the *Desarollistas*, whose main focus was on economic development and who, over the years, became so close to the economic elite that it was declared that they would be given a completely free hand.

The introduction of the ISIM, the predecessor of the IVA, was also an expression of the continued rapprochement to the business sector. While the proximity to Keynes is often mentioned in literature (justifiably due to the anticyclical approach), a clear distinction must be made: although both schools of thought wanted to boost demand, Keynes also wanted taxes to be levied on wealth and inheritance (Keynes 1998 [1936], *General Theory of Employment*). The *Desarollistas*, in line with the economic elite, did not want to increase taxes and did not introduce taxes on wealth, but indirect taxes that have a regressive effect. Keynes also said that taxes should not be too high. Nevertheless, he advocated taxes above all in the form of a direct, progressive design.

Furthermore, Keynes advocated the inheritance tax or estate tax (Keynes 1998 [1936], 372) to be able to counteract the already great wealth inequality, "for there are certain justifications for inequality of incomes which do not apply equally to inequality of inheritances" (Keynes 1998 [1936], 373-374). It will be interesting to see how these differences and debates specifically impacted the narratives about taxes and inheritance taxes. The described changes in the tax system in general suggest that the discursive change also affected the structure of the inheritance tax between 1940 and 1965.

The curtain falls: Nicolas Kaldor and Antonio Ortiz Mena

To contextualize the abolition of the inheritance tax, it is necessary to consider how the discourse on taxes in general was shaped in Mexico at the time. When Antonio Ortiz Mena became Secretary of the Treasury under President Adolfo López Mateos in 1958, Nicolas Kaldor was invited by the government to write a study of Mexico's tax system and its needed reform. In his analysis, Kaldor stated that a progressive tax reform was needed to institutionalize the values of the revolution. He recommended correspondingly higher, more progressive taxes on high incomes, but above all on wealth and inheritances, to abolish the "fiscal immunity of the rich classes". Antonio Ortiz Mena assessed the reform proposals very critically, even "radically". Instead, in 1961/1962 and 1965, the government implemented reforms that corresponded neither to Kaldor nor to Mexican experts, but rather to the ideas of the economic elite. In an interview, then Secretary of the Treasury Ortiz Mena explained why and how the reforms were carried out.

Kaldor's tax plans

According to Kaldor, a reform of the tax system was urgently needed if the goals of the revolution were to be achieved (Kaldor 1961, 112, 116). With 9 percent tax revenue as a percentage of GDP, Mexico was one of the countries with the lowest tax revenues in the world – even India and Ceylon (now Sri Lanka) levied higher taxes. Higher taxes were, in Kaldor's view, needed not only to promote health and education systems, but also because growing economic inequality would threaten the social fabric (Kaldor 1961, 113). Mexico's economy grew very strongly, but even if there were no statistics, "[i]t does not seem that the masses of the population (urban workers and peasants) have participated in any proportional way in the growth of the productivity of per capita income"⁸⁶ (Kaldor 1961, 112). Kaldor based his statements on a study by Ifigenia de Navarrete published in 1960 in which she worked out that economic inequality is detrimental to economic development but is very pronounced in Mexico: the richest 5 percent in society owned 40 percent of total income (in England and the US it was 30 percent).

Because of the exceptions in the tax system, administrative weaknesses, and indirect taxes, high-income families would pay less taxes than the middle class (ibid., 112-113). The tax system was seen as deficient and unfair: Deficient because it did not prevent tax evasion, and unfair because it favored income from owning capital over income from work, "to such an extent that there is no such parallel in another country which would have had such economic and fiscal objectives as Mexico"⁸⁷ (ibid., 114). Kaldor spoke of a "fiscal immunity of the rich classes" (ibid., 115) which was understood as detrimental to the country's economic growth. The resistance of economic elites regarding any changes of the tax scheme was to be expected, but this would have to be broken if one wanted to realize the basic revolutionary goals (ibid., 155, 116).

According to Kaldor's (rough) estimates, personal taxes could be increased by a factor of six or even seven, corporate taxes by a factor of three or four (ibid., 116). Regarding the income tax, the proposals to move away from the schedule system (*sistema cedular*) and to progressively tax all income, with the family as the tax unit, were particularly important. All forms of income should also be recorded. The tax should begin at higher amounts and therefore become progressive more quickly. The tax would be 10 percent for a single from 12,000 pesos, the tax classes would increase in steps of 12,000 and with them the amount by 5 percent. Thus, 12-24,000 pesos would be taxed at 10 percent, 24,001-36,000 pesos at 15 percent, and so on up to over 84,000 pesos at which 40 percent would be due.

Wives and children should receive a tax reduction, but this should not exceed 12,000 pesos per year (ibid., 122-123). Corporations should be taxed proportionately (not progressively). In

⁸⁶ "No parece que las masas de la población (los trabajadores urbanos y los campesinos), hayan participado en ningún caso en forma proporcional en el crecimiento de la productividad de los ingresos per capita."

⁸⁷ "A tal grado, que no tiene paralelo en otros países que se han fijado objetivos económicos y sociales tales como los de México."

principle, the same maximum tax amounts should apply.⁸⁸ The effective tax for small businesses could be reduced to an effective tax rate of 20 percent through requested support. Kaldor particularly strongly emphasized how unfair the system was in terms of favoring capitalists (as he specifically calls them) in a preferential treatment inherent in the system (ibid., 126-127). All income tax exemptions should be eliminated (ibid., 140), and all rental or lease income, also all income from the use of land, should be taxed (ibid., 141).

Nicolas Kaldor was a pioneer: What we find 60 years later in important works such as *Capital in the 21st century* (Piketty 2014) or *Triumph of Injustice* (Saez and Zucman 2019) we find in his writings as early as 1960. His reflections on the taxation of capital have not lost their importance – quite the opposite. I would like to quote one passage in its entirety to crystallize his thoughts:

“I consider the effective taxation of capital gains to be an essential feature of a fair system of personal taxation. This is so, not only because the earnings (in the case of truly wealthy families, the increases in economic capacity in the form of capital gains probably far exceed the income from rent, interest and dividends derived from properties) but also because, while capital gains remain untaxed, there are innumerable kinds of manipulations, through which a particular taxpayer can get his taxable capacity set at a minimum, converting his taxable income into capital gains, capital thereby reducing your taxable income to an arbitrary degree. To exempt capital gains from taxes is characteristic for ‘one law for the rich and another for the poor’; inequality is no less objectionable for being so widespread among Western democratic nations, hardly any of these countries tax capital gain as fully or as effectively as justice and fairness demand.” (Kaldor 1961, 143)

As far as inheritances and donations were concerned, Kaldor understood them as wealth which was to be taxed as profit from capital and at the value that the capital had at that time (ibid., 146). When Kaldor wrote his report, the inheritance tax still existed, which Kaldor also praised, adding that the gift tax should be adjusted and both taxes simplified and merged (ibid., 157). In Kaldor's opinion, the four grades should also be dissolved and all heirs – regardless of the degree of family relationship – should be taxed to the same extent. In addition, the inherited or donated capital should not be used as the basis for assessment, but instead the total assets of the recipient. Furthermore, all inheritances or gifts in the period of 20 years should be summed up. There should be allowances for amounts up to 10,000 pesos and for recipients who have no more than 50,000 pesos, also allowances up to 20,000 pesos. Overall, the tax amounts should become more moderate because one of the main reasons for tax avoidance was the high amounts. Here, too, the amounts should be taxed at up to 40 percent, with assets exceeding 3 million pesos.

Nicolas Kaldor was not the only expert whose opinion was sought by Secretary of the Treasury Ortiz Mena. Based on Kaldor's scheme of a tax reform, a panel of experts was formed consisting of Manuel Sánchez Cuén, Víctor L. Urquidi, Roberto Hoyo, Enrique Martínez Ulloa, Ernesto

⁸⁸ This would reduce tax avoidance because no incentives would be created.

Fernández Hurtado, Agustín López Munguía, Antonio Ortiz Salinas, Rafael Urrutia Millán, Lorenzo Mayoral Pardo, and Ifigenia Martínez de Navarrete (Aboites Aguilar and Unda Dutiérrez 2011, 35). Victor L. Urquidi wrote minutes of this work and its 30 joint sessions between March 23, 1961 and October 23, 1961, which Luis Aboites Aguilar and Mónica Unda Dutiérrez evaluated. These minutes reflect the thinking of the country's leading legal scholars and economists and show their different attitudes on various specific issues. Legal issues were worked on by the group around Commission President Manuel Sánchez Cuén; the economists were guided by Víctor L. Urquidi (Aboites Aguilar and Unda Dutiérrez 2011, 36).

The two groups differed in their views on how the tax reform should be designed in general. While the economists around Urquidi were in favor of a drastic, “more radical” reform, the lawyers wanted to initiate limited reforms (Aboites Aguilar 2003, 47). The economists' proposals were essentially like Kaldor's and were finally rejected, while the lawyers' ideas were embraced and accepted (ibid.).

Interview with Ortiz Mena

In the late 1990s, Professor Eduardo Turrent Díaz had the opportunity to interview former Secretary of the Treasury Antonio Ortiz Mena; the conversation was published in *Análisis Económico* in 2004 (Turrent Díaz 2004). Turrent Díaz asked Ortiz Mena about the tax reform during his time in office from 1958 to 1964, which, according to Ortiz Mena, was one of the most important projects of the government of President Adolfo López Mateos. The President's goals included progressive taxation, primarily through income taxes. The Secretary of the Treasury formed a group of experts from the Ministry of the Treasury and the Bank of Mexico in order to work out a sophisticated tax reform. Ortiz Mena explained to the *Hacienda-Banco de México* group the high priority of the project and also commissioned Nicolas Kaldor to do the same. The whole project was meant to be handled discreetly, but it became public when the intention of the Treasury Department and the Bank of Mexico was presented to the IMF in 1959.

The resistance of some groups in society and the Cuban revolution both played into the IMF's decision whether to grant Mexico the requested loan, so that an immediate action had to be taken: first, the currency was devaluated. In addition, Mexico sympathized with the new Cuban government (Mexico was the only country that voted against severing diplomatic relations with the country in the Organization of American States, OAS), and some of President López Mateo's statements eventually led to important business representatives publishing an open letter to the president, entitled “Where does the journey lead us, Mr. President? (*Hacia dónde, Sr. Presidente?*)”, expressing the concern that Mexico would become a communist state. According to Secretary of the Treasury Ortiz Mena, these events have provoked that the planned tax reforms have had to be postponed. But the work of the *Hacienda-Banco de México* group continued.

Kaldor's work was also part of the conversation between Turrent Díaz and Ortiz Mena. When asked why conflicts arose, Ortiz Mena replied:

„[W]hen the [report] was presented to me and I began to read it, I felt dismayed. And not because of problems of technical consistency, but because of the extreme radical nature of the proposals contained therein. ... Kaldor not only recommended for tax purposes the accumulation of all the income of individuals and companies, but even taxing the property and assets of the deceased. It was immediately obvious to me that this was inapplicable in Mexico, given the general circumstances of the country and the historical situation Mexico was undergoing.” (Turrent Díaz 2004, 191)⁸⁹

Ortiz Mena explicitly said that Nicolas Kaldor's ideas were extremely radical – and thus that these were out of the realm of the feasible. In particular, Ortiz Mena saw the taxation of property and assets as too extreme. So, alongside Kaldor, a second group of experts was tasked with designing a tax reform: Rafael Urrutia Millán, Ernesto Fernández Hurtado, Agustín López Munguía, and Víctor Urquidi – all senior officials from the Ministry of Treasury, the Bank of Mexico, or the *Hacienda-Banco de México* group. In Ortiz Mena's view, the project propositions were similar in orientation and "radicality" to that of Kaldor and were accordingly not taken into consideration. Thus, what leading economists from various institutions declared to be the best way of tax reform was, in the Secretary of the Treasury's opinion, not feasible in Mexico. What Kaldor and the panel of experts considered important and desirable, was out of reach and declared to be impossible by the Finance Secretary. This way, according to Luis Aboites Aguilar and Mónica Unda Guitérrez, Secretary of the Treasury Ortiz Mena chose to continue the path of low progressivity and low revenues and missed the chance to change the trajectory (Aboites Aguilar and Unda Dutierrez 2011).

At the end of 1961, a conference of the finance ministers of the American states was announced to take place in the following year. Part of the agenda was also an American reform proposal for Mexico. Thanks to his good connections, Ortiz Mena knew about these reform proposals and discussed them with Mexico's economic elite. As he explained, he knew how to use the interests of the Americans on the one hand and of the economic elite on the other for himself and to push his ideas: “During the entire battle, the principle of divide and conquer is always operative”⁹⁰ (Turrent Díaz 2004, 192). Ortiz Mena was able to convince the economic elite of the progressive consolidation of income taxes by offering them something in return, namely “the accelerated depreciation of assets, a novel scheme that did not exist then in Mexico”⁹¹ (Turrent Díaz 2004, 193).

⁸⁹ „[C]uando se me presentó el [reporte] y me aboqué su lectura, me sentí consternado. Y no por problemas de consistencia técnica, sino por la radicalidad extrema de las propuestas ahí contenidas. ... Kaldor no sólo recomendaba para fines tributarios la acumulación de la totalidad de los ingresos de personas y empresas, sino, incluso, gravar la propiedad y el patrimonio de los causantes. Inmediatamente fue obvio para mí que aquello era inaplicable en México, dadas las circunstancias generales del país y la coyuntura histórica que se vivía.”

⁹⁰ "En toda la batalla, el principio de divide y vencerás es siempre operativo."

⁹¹ "La deperaciación acelerada de los activos, un esquema novedoso que no existía entonces en México."

By far not everyone was in favor of his proposal, but he was able to persuade some key business figures (such as Eugenio Garza Sada) to accept his deal, and they then helped him break down resistance among the economic elite (ibid., 195). The resistance and the arguments against a reform were immense: “I was told that we were advancing towards communism, that this was not the time for such a reform, that it had to be postponed; that investment would stop, that there would be capital flight, etc.”⁹² (Turrent Díaz 2004, 194). It becomes very clear how important it was to the Secretary of the Treasury to have the support and approval of the economic elite. Ortiz Mena seemed convinced that a reform would not be possible without their consent and cooperation. He consulted them and sought a compromise with these actors that would also satisfy them.

Viri Ríos, author of *No es Normal* (2021), also takes up this aspect, stating that the conviction of Ortiz Mena disregarded Kaldor's proposals because no tax increases were possible if the economic elite themselves did not agree with the changes (Ríos 2021, 144). In the interview, Ortiz Mena talks about his successful strategy of dividing his tax reform project: first he had to win one battle, summarize the income tax, and convince the economic elite of the importance of the tax reform. Later in 1964, the ground was already set, so that within 15 days only the Secretary of the Treasury was able to pass the next new law which was on the income tax (ISR) – without any suggestions for correction and with the benevolence and support of the economic elite (Turrent Díaz 2004, 196).

What these disputes show very clearly is that the concrete tax plans of experts, both international (Nicolas Kaldor) and national (Víctor Urquidi among others), were not able to convince Ortiz Mena. Ultimately, he primarily addressed the economic elite, requested their approval, and only passed tax reforms that the economic elite agreed upon. While democratically elected bodies had been established between 1926 and 1940 (such as the National Fiscal Convention), over the course of the 1940s to 1960s, important actors alongside the economic elites were marginalized. Although experts were commissioned, their ideas were not incorporated. The Secretary of the Treasury was aligned with the interests communicated to him by the economic elite.

4.1.6 Inheritance Tax Laws 1940 to 1965: The Creeping Enforcement of Retro-Neoliberalism

The inheritance tax reforms of 1926 and 1934 were followed by two more reforms before the inheritance tax was abolished. For the narrative analysis, I examine the legislative texts of the three reforms, on September 7, 1940, December 28, 1959 and finally December 26, 1961. In addition, the Third Fiscal National Convention took place in 1947, which is instructive for understanding the shift in narratives about taxes in general and paradigms.

⁹² “Se me reclamó que avanzábamos hacia el comunismo, que no era el momento para una reforma semejante, que había que posponerla; que se detendría la inversión, que habría fuga de capitales, etc.”

1940: Higher allowances and proportional design

At the end of his *sexenio*, President Lázaro Cárdenas also passed a new law on inheritance tax on September 7, 1940 (LISHL 1940, see Andrade n.d., 574). Unlike the first bills, the exchanges of the President, Secretary of the Treasury, Senate, and deputies provide explanations for the decisions that are discussed below in the comparative analysis of the narratives and interpretation of the changes.

According to the bill introduced by the President and Secretary of the Treasury on August 14, 1940, the tax was to be paid within a year (in 1926 it was two years). With the inheritance tax of 1940 there were only four grades. To the first belonged “ascendants or consanguineous or related descendants; spouse, *concurbinas*, adoptive parents, adopted children” up to the fourth degree of kinship, which also included strangers. Only in the first degree were amounts up to 1,000 pesos tax-free, from 2,000 pesos this increased in 39 steps up to a tax rate of 29 percent for over 500,000 pesos. To be counted as a life partner, as *concurbina* in the first degree, the life partner had to have lived with the man⁹³ for at least five years or have children, and both had to be unmarried (LISHL 1940, Art. 6(2)). In the second degree the tax rates went from 6 to 36 percent, in the third degree from 8 to 44 percent, and in the fourth and last degree from 20 to 64 percent.

Amounts of mobile capital up to 40,000 pesos were eligible for tax relief. Amounts between 20,000 and 40,000 pesos would be taxed at a rate of 50 pesos for every 1,000 pesos. This way, progressiveness was abolished in the case of mobile capital and proportional calculation was introduced. The split of 40 percent for the individual states and 60 percent for the federal state was again maintained. In addition, capital that was not located in the interior of the country but was inherited by Mexicans should also be taxed. The Tax Commission of the deputies considered two aspects of the new law to be important: first, the tax exemption for inheritances in the form of movable capital up to 40,000 pesos, with a proportional tax of 50 pesos for every 1,000 pesos, and the exemption from the tax for inheritances that do not exceed 1,000 pesos in the first grade; secondly, the simplification of the administrative process of tax settlement, which was previously long and costly (*Diputados* 1940, 2, 3).

⁹³ It was concretely the man and his concubine – not the other or both ways included.

Figure 4.7: Tax rates according to the inheritance tax law in Mexico, 1940

TARIFA:

Porción heredada		Ascendientes o Descendientes consanguíneos o afines; cónyuge. Concubina Padres adoptantes Hijos adoptivos	Parentesco colateral por consanguinidad o afinidad		
			2o. grado	3er. grado	4o. grado en adelante y extraños
Hasta	1,000.00	Exenta	6. %	8. %	20. %
De	2,000.00	4.1%	6.1 "	8.1 "	20.3 "
"	3,000.00	4.2 "	6.2 "	8.2 "	20.6 "
"	4,000.00	4.3 "	6.3 "	8.3 "	20.9 "
"	5,000.00	4.4 "	6.4 "	8.4 "	21.2 "
"	6,000.00	4.5 "	6.5 "	8.5 "	21.5 "
"	7,000.00	4.6 "	6.6 "	8.6 "	21.8 "
"	8,000.00	4.7 "	6.7 "	8.7 "	22.1 "

Porción heredada		Ascendientes o descendientes consanguíneos o afines; cónyuge. Concubina Padres adoptantes Hijos adoptivos	Parentesco colateral por consanguinidad o afinidad		
			2º grado	3er. grado	4º grado en adelante y extraños
"	9,000.00	4.8 "	6.8 "	8.8 "	22.4 "
"	10,000.00	5. "	7. "	9. "	23. "
"	12,000.00	5.2 "	7.2 "	9.2 "	23.4 "
"	14,000.00	5.4 "	7.4 "	9.4 "	23.8 "
"	16,000.00	5.6 "	7.6 "	9.6 "	24.2 "
"	18,000.00	5.8 "	7.8 "	9.8 "	24.6 "
"	20,000.00	6. "	8. "	10. "	25. "
"	22,000.00	6.2 "	8.2 "	10.4 "	25.4 "
"	24,000.00	6.4 "	8.4 "	10.8 "	25.8 "
"	26,000.00	6.6 "	8.6 "	11.2 "	26.2 "
"	28,000.00	6.8 "	8.8 "	11.6 "	26.6 "
"	30,000.00	7. "	9. "	12. "	27. "
"	35,000.00	7.5 "	9.5 "	12.5 "	27.5 "
"	40,000.00	8. "	10. "	13. "	28. "
"	45,000.00	8.5 "	10.5 "	13.5 "	28.5 "
"	50,000.00	9. "	11. "	14. "	29. "
"	60,000.00	10. "	12. "	15. "	30. "
"	70,000.00	11. "	13. "	16. "	31. "
"	80,000.00	12. "	14. "	17. "	32. "
"	90,000.00	13. "	15. "	18. "	33. "
"	100,000.00	14. "	16. "	19. "	34. "
"	120,000.00	15. "	17. "	20. "	35.4 "
"	140,000.00	16. "	18. "	21. "	36.8 "
"	160,000.00	17. "	19. "	22. "	38.2 "
"	180,000.00	18. "	20. "	23. "	39.6 "
"	200,000.00	19. "	22. "	24. "	40. "
"	250,000.00	20. "	24. "	25.5 "	43. "
"	300,000.00	21. "	26. "	29. "	46. "
"	400,000.00	23. "	28. "	34. "	52. "
"	500,000.00	26. "	32. "	39. "	58. "
"	500,000.01 en adelante	29. "	36. "	44. "	64. "

Source: Andrade n.d., 574-2, 574-3.

In principle, the Tax Commission agreed with the design of the new law and only eleven proposed amendments were submitted. For the most part, these were details related to the process. But there were also other proposals: the classification of heirs should be determined; "relatives by affinity" should be considered; real estate should be taxed both at home and abroad (Art. 3(3)) (which would close a loophole); and the suggestion that the amount of 50 pesos for every 1,000 pesos should be reduced to 20 pesos, because 50 pesos was too high (Diputados 1940, 2-5; LISHL 1940, 32-35) The Senate supported all the requests of the deputies (on 08/28/1940). Finally, all changes were accepted: adopted parents and children became part of the first degree; real estate was subject to taxation both at home and abroad; and the tax amounts for mobile capital up to 40,000 pesos, which were collected as allowances, were between 20,000 and 40,000 pesos taxed at 20 pesos per 1,000 pesos (instead of 50 pesos).

Although there were numerous decrees and regulations following the new law, these usually only dealt with how the law was meant to be applied, how the processes were to be designed, precise instructions regarding individual points, or how processes were to be documented. One important change occurred on February 26, 1943, when Deputy Secretary of the Treasury Ramón Beteta announced the change in the amount and stated that tax allowances applied to inheritances regardless of the degree if the amount would not exceed 1,000 pesos (published in the *Diario Oficial* on 03/10/1943, see Andrade n.d., 656-11).

1947: Third National Fiscal Convention and reform – changes become recognizable

On October 4, 1947, President Miguel Alemán (1946-1952) convened the Third National Fiscal Convention (hereinafter Third Convention), which took place from November 10 to 20, 1947 (Tépach Marcial 2004, 19). The Secretary of the Treasury at that time was Ramón Beteta (1946-1952). This time, unlike at the first two conventions, not only were the states represented but a member from every municipality was also invited, as well as an expert on fiscality, and – last but not least – representatives of groups of the economic elite (Aboites Aguilar 2003, 198). The delegation of businessmen comprised Eustaquio Escandón, President of the *Confederación Nacional de Cámaras de Comercio* (CONCANACO); Mariano Suárez, President of the *Confederación Patronal de la República Mexicana* (COPARMEX); Aníbal de Iturbide, President of the *Asociación de Banqueros de México*; Pedro A. Chapa, President of the *Confederación Nacional de Cámaras Industriales* (CONCAMIN); and the attorneys Joaquín B. Ortega and Ernesto Flores Zavala (Aboites Aguilar 2003, 198).

The main aim of the Third Convention was the fiscal coordination between the municipalities, because the overall tax revenue was still seen as insufficient (Tépach Marcial 2004, 19). In the same year as the Third Convention, the important *Proyecto de reformas a las ley del impuesto sobre herencias y legados* was also implemented. The reform was accepted with 128 votes in favor to two against (LISHL 1947, see Diputados 1947, 1) and would, according to the President's reasoning, only follow the recommendations of the Third Convention. Tax allowances were introduced for any form of capital for the first 10,000 pesos, and for 15,000 pesos for those who were of the first tax class. If one had liquid funds for amounts over 20,000 pesos and would receive an exemption, the heir would have to pay 20 pesos for every 1,000 pesos. 75 percent of the appraised value of a house should be subject to tax (Art. 5). If the total amount of inheritance did not exceed 60,000 pesos, tax reductions were provided: for wives and life partners (10 percent), disabled or partially disabled people (who cannot work, 20 and 15 percent), minors (depending on grade and age, between 4 and 12 percent), and for people over 60 years (8 to 12 percent). Compared to the 1933 Act, the amounts of tax reductions remained almost the same (with slight differences for minors), but the reductions applied to smaller amounts, at 60,000 compared to 100,000 pesos.

The ratio of measuring real estate to land was retained. As in 1940, sanctions were not explicitly mentioned; it was merely pointed out that sanctions should be accompanied in accordance with the *Código Fiscal* (Art. 58(3)). The reason given for the reform was that the amendments proposed by the Third National Fiscal Convention and "justice and equity" were complied with. No other arguments or justifications were given. According to the reform, Articles 6, 53, and 54 were amended.

1949 to 1959: Various reforms weakening the inheritance tax

On December 22, 1949 an initiative was started to repeal the inheritance tax from August 25, 1926 to December 1, 1950 (Secretaría de Gobernación 1949). The justification given was the goal to finally receive a country-wide, uniform application of the law of September 7, 1940; a goal that was renewed in 1947 by the Third Convention and by the reform of the same year. The fact that this law was implemented shows how difficult and lengthy the process of national unification was.

On December 12, 1951, the gift tax law was reformed to take effect on January 1, 1952 (Secretaría de Gobernación 1951). Overall, the law was simply adapted to the inheritance tax. For example, the appraisal or settlement of taxes on real estate: until 1951, the entire appraised value was taxed, while from 1952 on, 75 percent of the appraised value should be taxed in the case of a gift (Art. 29 (5)). According to the Senate Tax Commission, this step was necessary because inheritance tax and gift tax should be the same (*ibid.*).

In 1952, the inheritance tax law was reformed in relation to real estate appraisal. The estimate should be made by either the *Banco Nacional Hipotecario Urbano y de Obras Públicas*, the *Banco de México*, *Nacional Financiera*, or the *Banco Nacional de Comercio Exterior*. These would be commissioned by the Ministry of Treasury. The value of the property at the time of the death of the person who inherits the property would be relevant. Should the heir disagree with the estimate, he could commission his own estimate through a credit institution with a trusteeship, a civil engineer, or a legally registered architect (*registrado en la dirección de profesiones*). If the appraisals differed between the two appraisals, a third appraisal (by a credit institution) would have to be commissioned at the expense of the heir. This third opinion would then be definitive. Furthermore, 75 percent of the estimated value would be used for tax purposes (as was the case for gifts).

On November 17, 1954, a reform with another exemption from the tax was attempted by President Adolfo Ruiz Cortines (1952-1958) and Secretary of the Treasury Antonio Carrillo Flores (1952-1958), which was to take effect on December 2, 1954 (*Iniciativa de Reformas y Adiciones a la LISHL 1954*, Presidencia de la República 1954). Deposits and checking accounts not exceeding 5,000 pesos should be exempted whenever no further capital was inherited.⁹⁴

⁹⁴ The Tax Commission approved the proposal on Nov. 29, 1954 by a vote of 103 to five (*Comisión de Impuestos 1954*, 1); the inheritance tax reform was passed by the Diputados by a vote of 97 in favor to five against (*El Nacional 1954*, 6).

On December 14, 1955 (effective on January 1, 1956), another reform was carried out under President Adolfo Ruiz Cortines and Secretary of Treasury Antonio Carrillo Flores, which aimed to exempt social institutions from inheritance tax (Secretaría de Gobernación 1955). The creation or promotion of cultural, scientific, or artistic institutions was understood as an "exemplary activity" from which the community would benefit and which the State should therefore encourage so that donations could happen more often (Presidencia de la República 1955, 1). They should therefore be exempt from the tax, just like hospitals, asylum homes, and other institutions of public assistance. The gift tax reform was also passed (by a vote of 123 to 6). The reform was justified with the same narratives: the promotion of education and cultural promotion (*El Nacional* 1955a, 18).

On December 26, 1955, on page 1 of *El Nacional*, the senators announced the acceptance of the reform of taxes on inheritance and donations (*El Nacional* 1955b, 1). On December 31, 1955, *El Nacional* reported that the reforms would come into force on January 1, 1956 (*El Nacional*, 1955c, 3). According to President Ruiz Cortines, people who wanted to donate had given up because part of their inheritance was being "absorbed" by taxes. Such obstacles should be abolished. Against this background, the reform was meant to be carried out, according to which all inheritances benefiting this type of society would be exempt from tax. Part of this reform was also a simplified process; any National Credit Institution was allowed to verify the purpose of the inheritance (ibid. 2), which was a necessary step as to ensure that the disposition was fulfilled. Article 6 on exemptions was reformed accordingly – this time adding paragraph (8), listing the social institutions – which included exemptions from the inheritance tax. The Tax Commission shared the opinion: since these were modifications that would benefit the collective, these should be exempt from the inheritance tax.⁹⁵

In the years that followed, more and more exceptions were added, and previously established ones were extended. Among those was the decree from December 23, 1954, which provided exception of taxes on inheritances in favor of cultural, artistic, and scientific institutions for the State such as universities, historical and artistic museums, and other similar institutions (Comisión de Impuestos 1955). These exceptions spanned generally institutions that "benefitted society". These included also historical or artistic museums, and science centers (Art. 5(3)). Donations to the Autonomous University of Mexico (UNAM; Art. 5(4)) were also explicitly mentioned. Houses of workers were also exempt from the gift tax (Art. 5(5)). Parallel to the inheritance tax, wives and civil partners, people with partial or total disabilities, the elderly over 60, and minors would receive tax reductions. The same applied to land and real estate.

1959: Lower marginal tax rates and higher tax allowances

It is a genuine right of members of the Congress to initiate legislative changes. While in the past the initiatives about the inheritance tax came from the presidents and the secretaries of Treasury,

⁹⁵ On the second reading, the Senate passed the bill by a vote of 116 to 6.

in 1959, the delegation from the state of Hidalgo – in concrete, deputies Manuel Yáñez, Federico Ocampo Noble, Martiniano Martín, and Andrés Maning – used their right on October 29, 1959 (*Diputación del Estado de Hidalgo* 1959). Between November 12, 1959 and December 22, 1959, a new initiative was considered and approved by the Tax Commission (December 17, 1959), the deputies (1st: 12/19/1959; 2nd: 12/24/1959), the senate (1st: 12/24/1959; 2nd: 12/26/1959), the secretary of State (12/24/1959), the president, and the secretary of the Treasury, with a volume totaling 207 pages. The new bill on inheritance taxes was justified by the "real chaos" that prevailed in the country ("*un verdadero caos*", *ibid.*, 1). The reasons for the chaos were discussed in detail. In total, there were four different scenarios for how the inheritance tax law was applied in the states. Attempts had been made to establish a uniform regulation since 1926, but neither reforms, new laws, nor the Second and Third National Fiscal Conventions were able to achieve this end.

The following 13 changes, summarized below, were made according to the explanatory memorandum (*ibid.*, 4-6):

- I. The inheritance tax should be individualized; the responsibility was no longer part of a group but individually for the part that one inherited oneself.
- II. Heirs of the first tax group would be exonerated slightly.
- III. In addition, the following would be exempt from the tax: real estate valued up to 150,000 pesos if there were no other goods; diplomatic bank accounts, if there was a reciprocal agreement; all inheritances up to 15,000 pesos; in the first degree up to 30,000 pesos; and those inheritances that were provided for cultural, artistic, or scientific institutions.
- IV. Up until 5,000 pesos could be reckoned for costs of the funeral.
- V. The testator would be allowed to pay the inheritance tax in advance, before his/her own death.
- VI. Assets in litigation were not taxed.
- VII. Withdrawals from current accounts or contents of safe deposits boxes were allowed.
- VIII. Notaries were authorized to formulate settlements, collect, and pay the inheritance tax.
- IX. The appraisals of the real estate may also originate from the past three years before the death occurred.
- X. Shares of the tax yield were granted; 50 percent to entities, districts, and federal territory; and 10 percent to municipalities, depending on the location of the assets and provided that these entities do not decree local or municipal taxes on inheritances and legacies.
- XI. The entities were authorized to take charge of the administration and collection of the tax whenever they coordinated with the Federal Government.
- XII. Inheritance tax should be paid within one year for inheritances of up to 500,000 pesos.
- XIII. Successions in process were authorized to avail themselves of the benefits, rates, and procedures of the new law.

In the first tax degree, tax exemptions of up to 30,000 pesos would apply to the heirs; above that threshold, the tax started at 1.5 percent and went up to amounts of over 500,000 pesos and a marginal tax rate of 23 percent. In the second degree, the tax amounts (without allowances) went

from 6 to 25 percent, in the third degree from 8 to 44 percent, and in the 4th degree from 20 to 64 percent. The law was to come into force on January 1, 1960, and at the same time the laws of 1929 and 1940 would be abolished. In addition to the changes explicitly stated, some changes were made that were not stated; more on this below in comparison with the law of 1940.

Figure 4.8: Tax rates according to the inheritance tax law in Mexico, 1959

T A R I F A :

Porción heredada.		Ascendientes o Descendientes, Consanguíneos o afines; Cónyuge, Concubina, Padres Adop. Hijos Adop.	Parentesco colateral por consanguinidad o afinidad.		
			2o. grado.	3er. grado.	4o. grado en adelante y extraños.
Hasta	1,000.00	Exenta.	6. %	8. %	20. %
"	2,000.00	"	6.1"	8.1"	20.3"
"	3,000.00	"	6.2"	8.2"	20.6"
"	4,000.00	"	6.3"	8.3"	20.9"
"	5,000.00	"	6.4"	8.4"	21.2"
"	6,000.00	"	6.5"	8.5"	21.5"
"	7,000.00	"	6.6"	8.6"	21.8"
"	8,000.00	"	6.7"	8.7"	22.1"
"	9,000.00	"	6.8"	8.8"	22.4"
"	10,000.00	"	7. "	9. "	23. "
"	12,000.00	"	7.2"	9.2"	23.4"
"	14,000.00	"	7.4"	9.4"	23.8"
"	16,000.00	"	7.6"	9.6"	24.2"
"	18,000.00	"	7.8"	9.8"	24.6"
"	20,000.00	"	8. "	10. "	25. "
"	22,000.00	"	8.2"	10.4"	25.4"
"	24,000.00	"	8.4"	10.8"	25.8"
"	26,000.00	"	8.6"	11.2"	26.2"
"	28,000.00	"	8.8"	11.6"	26.6"
"	30,000.00	"	9. "	12. "	27. "
"	35,000.00	1.5%	9.5"	12.5"	27.5"
"	40,000.00	2. "	10. "	13. "	28. "
"	45,000.00	2.5"	10.5"	13.5"	28.5"
"	50,000.00	3. "	11. "	14. "	29. "
"	60,000.00	3.5"	12. "	15. "	30. "
"	70,000.00	4. "	13. "	16. "	31. "
"	80,000.00	4.5"	14. "	17. "	32. "
"	90,000.00	5. "	15. "	18. "	33. "
"	100,000.00	6. "	16. "	19. "	34. "
"	120,000.00	7. "	17. "	20. "	35.4"
"	140,000.00	8. "	18. "	21. "	36.8"
"	160,000.00	9. "	19. "	22. "	38.2"
"	180,000.00	10. "	20. "	23. "	39.6"
"	200,000.00	11. "	22. "	24. "	40. "
"	250,000.00	13. "	24. "	26.5"	43. "
"	300,000.00	15. "	26. "	29. "	46. "
"	400,000.00	18. "	28. "	34. "	52. "
"	500,000.00	20. "	32. "	39. "	58. "
"	500,000.01 en adelante	23. "	36. "	44. "	64. "

Source: Diputación del Estado Hidalgo, Iniciativa de Ley, 1959, 2.

1940 to 1959: Comparison of the inheritance tax laws

The lowest tax rate in the first tax class in 1940 was 4.1 percent on amounts over 1,000 pesos and under 2,000 pesos; 19 years later, it stood at 1.5 percent at the 35,000 pesos limit. With inflation taken into account, the factor however was not of 35 (from 1,000 to 35,000 pesos), but a factor of seven (from 1,000 to 7,090 pesos).⁹⁶ At the 80,000 threshold, 4.5 percent would be due. The maximum amount for inheritance amounted over 500,000 pesos would be 6 percent less: 23 instead

⁹⁶ Given the inflation over time, we have to calculate in accordance to the loss of the peso: the purchase power of 1 peso in 1940 was in 1959 at 4.94 pesos. Accordingly, the changes were less dramatic as they seem in relative terms, but still high. Source: <http://www.bajaeco.com/cuanto.cfm> (08/29/2022).

of 29 percent. From the second to the fourth degree, the tax amounts remained unaffected. In 1940, under Article 6, which covered the exemptions from the tax, only paragraphs (1-7) were cited; in 1959, Article 6 included paragraph (11), which was also expanded in their amounts. The Article 6 exemptions included, compared to 1940 (not to the interim reforms, these are given in parentheses), had the following effects:

I. Capital exemptions in relative terms increased. In real terms, however, these decreased: Previous exemptions for real estate had been 40,000 pesos, but in 1959 these exemptions were up to 150,000 pesos (Purchasing power (PP) of 1940: 30,364 pesos), with no built-in proportional tax amounts from the median: 1940, for amounts between 20,000 and 40,000 pesos, 20 pesos were taxed per 1,000 pesos.

II. Introduced: In 1959 it was introduced that diplomats would be exempt from the inheritance tax, should this be reciprocally agreed with the respective country.

III. Increased: In 1940, up to 1,000 pesos of liquid capital could be tax exempt in the first degree; in 1959, the amount was increased to 15,000 pesos (PP1940: 3,304 pesos) and fixed regardless of the degree of relationship.

IV. Increased: For the first degree, the amount of tax-exempt liquid capital was 30,000 pesos. If the total inheritance exceeded 60,000 pesos, taxes of 20 pesos per 1,000 pesos would be due for all amounts over 30,000 pesos.

V. Same: Amounts received due to life insurances remained tax-free.

VI. Same: Amounts received due to *importe de Seguros sobre la Vida* remained tax-free.

VII. Same: Funds set up for death (*fondos de defunción*) in mutual societies remained the same.

VIII. Same: Deposits in savings accounts remained unaffected.

IX. Introduced: "Deposits in checking accounts not exceeding 15,000 pesos whenever that was the sole inheritance remain tax free." (Under the 1954 reform, the amount was 5,000 pesos or in PP1959, 6,093 pesos, so was further increased.)

X. Introduced (by the 1955 reform): "Capital inherited for the establishment or support of cultural, artistic or scientific institutions, such as schools, universities, historical or artistic museums and institutions analogous thereof."

XI. Same: "All other exemptions specified in the federal tax code."

XII. Dropped: The passage from 1940 that either paragraph (1) or (2) would apply, depending on which gave the greater advantage, became redundant since the distinction between real estate value and liquid capital was introduced in 1959.

Article 7 dealt with tax deductions: the amount for funeral expenses was raised from 500 to 5,000 pesos (PP1940: 1,101 pesos). The tax amounts for the costs incurred for the inheritance proceedings were also increased: the increase for amounts of up to 20,000 pesos was increased from 4 to 6 percent, between 20,000.01 and 50,000 pesos from 3 to 4 percent, from 50,000.01 to 200,000 pesos from 2 to 3 percent, for amounts over 200,000 pesos from 1 to 2 percent.

The tax reductions in Article 8 for older people, life partners, and minors have remained the same. Articles 9 to 18 remained unaffected; Article 19 was introduced, which – in comparison to Article 20 and "habitación conjuntamente" – includes "habitación vitalicios" (the reason why the first chapter has 27 instead of 26 Articles). In Chapter II "Of the complaint, of the inventories, of the appraisals, and of the liquidation of the tax", Article 30, relating to complaints, was supplemented with a fifth paragraph according to which a further document needed to be submitted; namely a list of all inherited valuables. Article 40 has been extended; the addition concerned notarial processes (not relevant for this work). An important innovation was the appraisal of real estate (from the reform of December 12, 1951): if the heirs did not agree with the appraisal, a second and a third appraisal could be drawn up – at the expense of the heirs – with the third being decisive. Article 57 was added, according to which no estimates of values of houses needed to be made if estimates have already been made in the three years before the death (this would have to be done in accordance with the specifications for inheritances from certain institutions, which are announced annually in the *Diario Oficial* every December and would be valid for the following year).

In Chapter III "Payment of taxes" and Chapter IV "Of the receiving offices", there were no changes relevant to this thesis. In Chapter V "Of the Representatives of the Federal Treasury", the requirements for the representatives were specified. In Chapter VI "Of the Representatives of the Local Treasury", in 1959, the representatives had to be stricter and oppose the heirs if they did not comply with the law. Chapter VII "Obligation of the Judicial Authorities, Notaries and Persons in Charge of the Public Registry" and Chapter VIII "Of the obligations in charge of third parties" remained unchanged. Chapter IX "Of the Participations and of the Agreements with the Federative Entities" was redrawn.

According to Article 77, the "States and Federal Territories receive a 50 percent share of the tax yield", thus, "the municipalities will participate with 10 percent of its yield". The state and municipalities would get 60 percent, while the Federal State still received 40 percent. Chapter X "General Dispositions" added in 1959 that there would be a fiscal tribunal at the national level if opinions differed. Furthermore, the article stating that changes or reforms must be consulted with the national fiscal convention in advance was deleted. In a first reading by the Tax Commission, some modifications were made, words deleted or added, but only for the sake of clarity (e.g. that "en la República" still has to be stated in Article 7 or Article 25 may "registrados" be deleted). In terms of content, no changes were proposed.⁹⁷

On October 20, 1960, a reform to the third article of the "Transitorios" was carried out – again initiated by the deputies from Hidalgo (*Diputación del Estado de Hidalgo 1960*, 3). The changes would allow that processes of settlement of the inheritance tax that had not yet been completed could be settled according to the new law beyond 90 days (extending the time span which was set

⁹⁷ The following proposals were made: Article 1(2); Article 6(2)a; Article 7(1) and IV; the deletion of Article 6(6). Extensions should Article 8(VI), as well as Articles 9, 14, 40, 44, 55 (4) b, Article 57, 67, 69 (4). The word "registrados" should be deleted in Article 25, as well as in Article 45, the addition of the notaries should be made in Articles 47, 49 and 51.

in 1959). The 90 days were far too short and did not do justice to circumstances and competencies: The Secretary of the Treasury could not keep up with the orders. The Senate submitted the reform proposal to the Tax Commission and repeated the reasons for the 1959 law in the cover letter. The aim was to make the inheritance tax more humane and the processing faster.

1961: Bill that repeals taxes on inheritances and legacies

The abolition of the inheritance tax took its rapid course on December 15, 1961. On December 15, President Adolfo López Mateos and Treasury Secretary Antonio Ortiz Mena signed the bill (*Ley para la Derogación de los Impuestos sobre Herencias y Legados*, see *Presidencia de la Republica* 1961, 3). Article 1 of the law abolished the inheritance tax, while Article 2 dealt with compensations for the states (to offset their loss of tax revenue). On December 22, Secretary of State Gustavo Díaz Ordaz handed the bill to the deputies. On December 24, 1961, the Tax Commission received it in the first reading and on December 26 in the second reading. On December 26, 1961, the senators received it in the first reading and on December 27 in the second reading. On December 28, it came to the Secretary of State for a second reading.⁹⁸ On January 1, 1962, the law came into force and abolished the inheritance tax in its independent existence. The entire legislative legal procedure took only 15 days.

At the same time as the inheritance tax was abolished, the income tax was reformed. It would now include the inheritances and bring in a total of 400 to 600 million pesos more (the calculations differed, *El Nacional* 1961b, 6). While inheritance and gifts were and are theoretically included in income taxes, they could be structured differently from state to state and were tax exempt in most states. This is the case in Mexico City, for example: according to Article 93(22), inheritances and gifts are not subject to tax (*Gobierno de México* 2022 on Article 93; explained and summarized in *El Financiero* 2018).

Newspaper coverage: almost non-existent

If the reporting from 1926 to 1940 was very scarce, it was even more scarce in the 1940s and 1950s. There were no significant debates or articles, only the voting behavior on reforms was reported and text passages from the reforms and decrees were mentioned. On December 22, 1955, the arguments of Deputy Baltasar Dromundo of the *Partido Acción Nacional* (PAN) for the reform were an exception to the rule, presenting a narrative according to which the inheritance tax and taxes in general were needed as to fund education and culture – not, as in the 1920s and 1930s, as to combat inequality:

⁹⁸ All documents are to be found in the PDF from the Archive of the Senate, see Archivo Senado: 1961_45_206_368, 1-22.

“The object of the law and its reform has a patriotic theme that cannot escape the criteria of the assembly, since the destination of the inheritance fund will be for the benefit of universities, historical museums and cultural centers. Within its very spirit, this law raises the promotion of education, which constitutes a serious national problem. It is, therefore, incumbent on the State to allocate funds to the increase of educational establishments, to help itself financially, because it is well known that education encounters economic limitations, which prevent its full development, despite the efforts of our current Government and previous ones.” (*El Nacional* 1955a, 18)⁹⁹

Reporting on the new laws in 1959 and 1961

On November 13, 1959, *El Nacional* reported on the front page about the new planned inheritance tax law (*El Nacional* 1959a, 1, 6). The article opened with the narrative that it protected families whose "jefe" was missing and, secondly, that it ultimately strived for national standardization of the application. The four deputies from Hidalgo – Manuel Yañez Ruiz, Federico Ocampo Noble, Andrés Manning Valenzuela, and Martiniano Martín Alvarez – were named as the initiators and the planned future procedure was explained. The pre-existing anarchy was also mentioned on the first page before going on in detail on page six. I present these details as to emphasize the length of the article and the meaning – page one the presentation, page six the detailed description.

The report used the following main narratives: it was logical that the heirs should try to avoid paying the tax; that the tax was mainly paid by those families who did not think about ways of avoidance; that although the tax should hit the big fortunes, it burdened the small ones; that it barely yielded any revenues (only 40 million pesos statewide). Even if the tax should continue to exist, it should be made more humane and the tax amounts should be lower in the first degree. As might have been realized, the article was merely a reprint of the deputy's speech and not a contribution of its own. It also quoted the description of the state as a "bird of prey". Overall, no new information was given, only the narratives of the deputies were reproduced in detail.

The individual aspects were also mentioned: that the tax would be individualized, etc. All 13 changes as they were set in the draft law were specified. Manuel Yañez Ruiz was not only one of the four deputies from Hidalgo who submitted the initiative, but also chaired the Tax Commission (*El Nacional* 1959b, 9). As reported by *El Nacional* on December 18, 1959, the Tax Commission made two important changes to the bill: Treasury officials' salaries went to notaries when they handled cases; in addition, real estate tax credits were increased to 150,000 pesos (*ibid.*). On December 20, 1959, the paper also reported on the legislative initiative: On December 19, 1959,

⁹⁹ „El objeto de la ley y su reforma tiene un fono patriótico que no puede escapar al criterio de la asamblea, ya que el destino del fondo de la herencia será para beneficio de universidades, museos históricos y centros de cultura. Esta ley plantea dentro de su mismo espíritu el fomento de la educación, que constituye un grave problema nacional. Es, por tanto, de incumbencia del Estado destinar los fondos a la incrementación de los planteles educativos, para ayudarse económicamente, porque de todos es bien conocido que la educación tropieza con limitaciones económicas, que impiden su total desarrollo, no obstante el esfuerzo de nuestro actual Gobierno y de otros anteriores. “

the deputies voted unanimously on the proposal with 92 yes votes and handed it over to the Senate (*El Nacional* 1959c). On January 2, 1960, the *Sintesis del Diario Oficial* reported that the new law was coming into force and that the old laws of 1926 and 1940 were being repealed (*El Nacional* 1960a, 7).

Manuel Torre wrote a lengthy article that appeared in *El Nacional* on February 14, 1960 (*El Nacional* 1960c, 3). In this article, the author discussed, among other things, how big the problem of avoiding (*eludir*) taxes was. He compared the laws of 1926 and 1934 on the one hand, which also provided for sanctions for judges and notaries if they did not comply with their reporting obligations, and the legal texts of 1940 and 1958 on the other, both of which lack the paragraphs on sanctions and thus made circumventions easy and common. He also gave a concrete example:

„We have seen a case in which a notary, knowing perfectly well the property history of a certain property of a foreign deceased, has authorized the sale of a property whose value is forty or fifty thousand pesos in the ridiculous amount of five thousand and nothing less, passing this information than to an agent of the Public Ministry, in charge of watching over the fiscal interests.” (Torre, *El Nacional* 1960c, 3)¹⁰⁰

From this and other examples he draws the conclusion that a reform is necessary that prevents such (usual) circumventions, makes them illegal, and sanctions them. The reform in October 1960 was also reported. When the inheritance tax was abolished, it was widely reported on the first pages: "Benefits for Widows and Orphans", read the headline in *El Nacional* on December 24, 1961 (*El Nacional* 1961a, 1). The abolition of the inheritance tax was the logical consequence of the new income tax law, which came into effect on January 1, 1962, and which would include inheritance tax. Two days later, Jorge Abarca Calderón was quoted:

“The middle class of the country, the humble, will obtain magnificent benefits with the repeal of the tax on inheritances and legacies. Its social scope is incalculable. For this we congratulate Mr. President López Mateos, interpreting the feelings of all the contingents of our central, the National Confederation of Popular Organizations.”

(*El Nacional*, 1961b, 6)¹⁰¹

On December 27, 1961, the vote by the deputies was reported. The initiative was approved by 145 votes, including five votes from PAN deputies; only two deputies from the PRI, Antonio Vargas MacDonald and Carlos Zapata Vela, voted against it, arguing that the abolition had no upper limit and also included millionaires (*El Nacional* 1961c, 6).

¹⁰⁰ „Hemos visto un caso en el que un notario, conociendo perfectamente los antecedentes de propiedad de determinado bien de una causante extranjera, ha autorizado la venta de una propiedad cuyo valor es cuarenta o cincuenta mil pesos en la ridícula cantidad de cinco mil y nada menos que a un agente del Ministerio Público, encargando de velar precisamente por los intereses fiscales.”

¹⁰¹ „La clase media del país, los humildes, obtendrán magníficos beneficios con la derogación del impuesto sobre herencias y legados. Sus alcances sociales son incalculables. Por ello felicitamos al señor Presidente López Mateos, interpretando el sentir de todos los contingentes de nuestra central, la Confederación Nacional de Organizaciones Populares.”

4.1.7 Interpretation of the Legislative Changes and Comparative Analysis of the RON 1940 to 1965

From 1940, a slow yet consistent change from the previous repertoire of narratives about the inheritance tax and the *interventionist state* can be observed. The role of the state became weaker in relation to other actors, the importance of progressive taxation decreased, and the seriousness with which the state initially tried to establish the inheritance tax via sanctions decreased. Thanks to the directly attached explanations of the motives for the new legal texts in 1940, the motives are easy to identify. In 1940, President Lázaro Cárdenas, Secretary of the Treasury Eduardo Suárez Aránzolo, and Head of the Department of the Federal District Raúl Castellano, stated that the marginal tax rates should be increased as to help to redistribute wealth, but that these higher marginal tax rates were not confiscatory: “these tariffs simply intend to tax higher amounts of heirs who are only distant relatives or strangers” (Secretaria de Gobernación 1940, 1). These changes suggest that the family was strengthened in relation to the state: Where the degree of relation was low, higher taxes on inheritance and gifts would apply. This in turn led to the conclusion that property rights should not extinguish after the death of the individual and were thus strengthened.

The new marginal tax rates were also sought to be justified by an international comparison based on which they were set (*ibid.*, 2). In addition, tax exemptions for movable capital up to 40,000 pesos (Art. 6) were introduced, on the grounds that this amount could be a significant support for families. However, this new regulation *de facto* weakened the progressive character and the ability-to-pay principle of the inheritance tax. The importance of the progressive design of the system therefore decreased, and the efficiency principle became less relevant. Another particularly important change was that the chapter on sanctions was dropped. While it still existed in 1926 and 1934, Chapter X was deleted in the 1940 bill. In 1934, there were still 17 paragraphs of Article 64 dealing exclusively with who exactly would be sanctioned; Article 65 spelled out the penalties in six paragraphs, some of which were double the amount of the inheritance; Article 66 redrew the time frame and include notaries and judges. All of this was eliminated with the 1940 law (and thereafter).

Logically, this made avoiding the tax more appealing. An important reason for the new law was also the experience with the tax collection process: it was too complicated and lengthy, which almost led to the abolition of the tax (*ibid.*, 3). The following decrees also largely referred to this aspect. In the years that followed, there was only one change relevant to this work: that of February 26, 1943, after which the tax allowances for inheritances of all grades up to 1,000 pesos was given. This regulation can certainly be interpreted in light of the problem of the complicated design. But it also contributed to the ongoing weakening of the inheritance tax.

Narrative analysis 1940 to 1965

At the beginning of the 1940s, only minor changes within the repertoire of narratives were apparent, but after the Second World War (WWII) in 1947, the changes became very clear. As President Miguel Alemán stated in the aftermath of WWII, the state again faced the fiscal problem of a “complicated, anti-economic and unjust tax system”. But instead of changing the system for the better, the federal state, the states, and the municipalities changed it for the worse.

“[And] in spite of so much burden and so much inconvenience for the causer, neither the federation, nor the states, nor the municipalities have enough resources to adequately provide the public services that the country demands.”

(Miguel Alemán, cited after Tépach Marcial 2004, 19)¹⁰²

The introduced taxes from the last 22 years were framed as inconvenient and a burden („*carga*“ and „*molestia*“). By 1947, and compared to the First and Second National Fiscal Conventions, the framing of taxes and how these should be applied changed strongly. The tax scheme that was recommended followed another logic which was incompatible with the old narratives and paradigm: taxes should be proportional and be passed on to the consumer. Furthermore, taxes should be as low as possible and income obtained from industrial or commercial activities should not be subject to the payment of any tax (Tépach Marcial 2004, 20).

It was an explicit decision to keep the “tax burden” low, especially in the interest of the capitalists and economic elite (Aboites Aguilar 2003, 50-51). The accordance between the economic elite and the Secretary of the Treasury in their goals of unity and the design of the system was, according to Aboites Aguilar, evident (2003, 199). However, against gossip which spread the idea that the inheritance tax would be derogated (*El Nacional* 1947, 1), it still played a role and would be harmonized throughout the country (Aboites Aguilar 2003, 22). But higher allowances were demanded, which were introduced a short time later.

Table 4.3: Comparison of general tax narratives from the three National Fiscal Conventions of 1925, 1933, and 1947

1925 and 1933	1947
Taxes should be progressive	Taxes should be proportional
Indirect taxes are unjust	Taxes should be passed to the consumer
Taxes are important	Taxes should be low
The rich and business should pay in accordance to the ability-to-pay-ratio	Business and commercial activities should pay little

Source: own compilation.

¹⁰² “[Y] a pesar de tanta carga y tanta molestia para el causante, ni la Federación, ni los Estados, ni los Municipios cuentan con recursos bastantes para prestar adecuadamente los servicios públicos que el país reclama.”

Comparing the narratives about taxes between the First and Second National Fiscal Conventions and the Third National Fiscal Convention reveals a very clear discursive shift. While taxes were still progressive in 1925 and 1933, it would be better to make them proportional in 1947. While indirect taxes were declared unjust after the revolution, thirty years later taxes were to be passed on to the consumer. Overall taxes were previously considered important, but in 1947 they should be low. And while in 1925 and 1933 the rich and big companies were supposed to pay higher taxes according to the ability-to-pay-principle, a few years later it was important to protect these actors as much as possible from the “burden”.

With these narratives about taxes, Mexico took a different path than before in an international comparison. While taxes in general were set relatively very high in most OECD countries after the Second World War – the New Deal and the Keynesian economic paradigm dominated (see e.g., Friedman 1962, 175 for the US) – in Mexico the narrative that taxes were a burden and that actors from wealthy and big companies should be relieved, became dominant; very much in the sense of trickle-down economics. What most liberal democracies would eventually implement in accordance with trickle-down-economics took root decades earlier in Mexico. As Victoria L. Henderson shows in detail, it was not Chile that was the cradle of neoliberalism when the Chicago Boys arrived in the mid-1970s: Mexico’s (retro-)neoliberal restructuring took place way earlier, with Luis Montes de Oca at the forefront, bringing in the Austrian group, starting with Ludwig von Mises, at the beginnings of the 1940s (Henderson 2016, 85-111, 215-216).

In her doctoral thesis, Victoria L. Henderson analyzes in detail how and which personalities worked to establish neoliberal politics in Latin America, including Mexico, between 1940 and 1975. Henderson uses the term “*retro-neoliberalismo*” for this social endeavor – in distinction to proto-neoliberalism and neoliberalism; since “proto” implies that a turning away had already taken place, while the phase under study can still be interpreted as a finding phase, as to “(re-)popularize and better protect the core of [classical liberalism]” (Henderson 2016, xiv-xv). Following Pace Mirowski, Henderson defines neoliberalism as “a general philosophy of market society, and not some narrow set of doctrines restricted to economics” (Mirowski 2014, 8). I subscribe to this definition (as I will show in detail later in the chapter on Germany’s paradigm after 1990, see 218). As Philipp Lepenies has also elaborated, the basic idea of neoliberalism is the orientation of all social transactions to the market logic of competition (Lepenies 2022, 19). The basic tenets were laid down in important parts by the Austrian School and found an increasing hearing in Mexican politics from the 1940s onward (Henderson 2016, 85-90, 128-137). The strong influence of retro-neoliberal personalities and their ideas is shown by the discursive change in Mexico, as I have illustrated by the debate and development of the inheritance tax. The shift began in the early 1940s and was already very evident by 1947: the year in which taxes, as expressed in the Third Convention, became a burden on social and economic progress.

It is therefore only logical that further decrees and reforms would aim to weaken the inheritance tax. But beyond the decrease of the inheritance tax alone, also the gift tax indicated its weak

standing: as of September 11, 1952, only seven states had introduced the new gift tax law. Approval for the gift tax appeared lower than for the inheritance tax. The support for taxes in general and the consistent implementation of inheritance and gift tax in tandem as an important instrument became fragile. The careless treatment of the gift tax is an expression of how the approval and importance of the two taxes had decreased. For example, on December 16, 1955, when social institutions were exempted from inheritance tax, the Tax Commission placed the "noble act" in the foreground. The noble purpose of the testator should not be compromised by taxes. It is clear how the narrative changed: taxes slowly became something negative. A duality was being introduced: donations to cultural institutions had a "noble aim" and should not be affected by taxes; conversely, this means, one may discursively interpret, that taxes per se were not noble and for the general public. Further reforms also testified to the fact that taxes were seen as bad and a hindrance: the list of exemptions from inheritance tax grew longer and longer and, by 1959, new narratives about the inheritance tax, but also about taxes in general, the state, and the role of both individuals and families became evident.

Various changes legitimized all and without exception the facilitating or increasing tax allowances. The previously existing regulations were softened, solidifying the concept of wealth over generations (since it became irrelevant who paid the tax), serving the narrative of taxes as a burden compared to charitable acts of philanthropic and diplomatic people. And, while on the one hand, responsibility was individualized, on the other hand and at the same time, families were put in a better position in relation to the state. However, in last consequence, these changes were less about the family and more about individualization.

The deletion of the article according to which changes or reforms were to be consulted in advance with the National Fiscal Convention is, in my opinion, of particular relevance. This made reforms and the abolition of the law easier by taking the veto player out of the game. The question this paragraph raises is whether the 1957 Act was legal, at least under Article 74 of the Inheritance Tax Act 1940: "Reforms or additions to this Law must be previously consulted with the National Tax Convention or during its recesses with its Permanent Commission."¹⁰³ This did not take place for the new 1959 Act; the article about the National Fiscal Convention was simply deleted. As a political scientist, I am unable to say with certainty that this act was legal; legal experts should assess the case. But what I clearly identify is the elimination of a veto player. Since the Inheritance Tax Act 1959 applied from 1 January and was unchallenged, the Inheritance Tax Act 1961 built upon a law which no longer required consultation of the National Fiscal Convention. Thus, the abolition of the inheritance tax law became an easier game.

As already described, the Tax Commission approved the changes. The letter justifying their support provides insight into the priorities and framing of the role of state and inheritance in Mexico's socio-political fabric (Comisión de Impuestos 1959, 1-53). According to the Tax Commission, this

¹⁰³ "Las reformas o adiciones a la presente Ley deberán consultarse previamente a la Convención Nacional Fiscal o en los recesos de ésta a su Comisión Permanente."

law would put an end to the chaos in the state by being applied everywhere (the question arises why it was not designed in this way before). As can be seen from the Tax Commission's document of December 17, 1959, the Tax Commission was convinced that lower tax amounts could increase revenue because the willingness to pay would increase (ibid., 2). The previously applicable tax amounts were described as "rigorous", thus higher allowances were very welcome (ibid., 2-3). The changes would relieve workers (ibid., 2). It was innovative that inheritances in favor of foundations or support for schools were excluded; this was understood as "*indispensable*" (ibid., 4) and important for the country as to support the government's national education campaign.

Regarding wealth inequality, the following statement is interesting: The new design and lower taxes "will allow the circulation of wealth" (ibid., 4). In 1940, the framing was the opposite: the inheritance tax would help achieve a better redistribution of wealth (Presidencia de la República 1940, 2, motive a). By 1959, lower inheritance taxes and more exemptions would result in higher circulations of wealth. From today's progressive perspective, this idea seems generalized and wrong: the inherited wealth only circulates from one generation to the next, but not beyond the family boundaries. It is also interesting that the solidarity that was previously created between the heirs by the inheritance, in the sense that they were jointly responsible for paying all inheritance taxes, became individualized or dissolved and labeled as "unjust" and "hated" to such an extent that it would prevent the further development of wealth. Solidarity, even within the group of heirs, was defamed, the process individualized, as expressed by the word choice of "individualmente determinado" (Comisión de Impuestos 1959, 4).

The Senate found that the initiative "satisfies the needs that motivated its creation, and that deserves the approval of the H. Chamber of Senators"¹⁰⁴ (Senadores 1959, 1). As specified by the Senate, the intention of this law was to establish less "rigorous" tax amounts or "a considerable reduction" for the first degree of family relationship and more exceptions that would help the state in its ability to act (ibid., 1-2). The specifics of why this was understood to be the case were not explained any further. If the decrees and reforms of the inheritance tax in the early 1940s were still a subtle and ambiguous departure from the RON from 1920 to 1940, the narratives in 1959 were exactly the opposite in many, if not all, of the points considered important in the context of this work.

In 1962, the inheritance tax was finally abolished (Presidencia de la República 1961). Article 1 abolished the inheritance tax, as to "strengthen the economy" (ibid., 2), because the inheritance tax was seen as a barrier to capital investment. To promote savings, the state would forego tax revenue – possible private investments were more important than tax revenue for the state (Senadores 1961, 1). In the most obvious way, this notion of the state being a worse investor than private enterprises, was a clear retro-neoliberal stance. As for real estate, only small and medium-sized real estate would be taxed; in the case of large properties, other processes would be applied,

¹⁰⁴ "Satisface las necesidades que motivaron su creación, y que merece la aprobación de la H. Cámara de Senadores."

and no final tax would be due (ibid.). Article 2 clarified how states would be compensated – a smart move, since it would defuse potential opposition at the state level.

The tax commission agreed on December 24, 1961, in the first reading and on December 26, 1961, in the second reading with the President and the Secretary of the Treasury in their reasoning: Capital should not be burdened with taxes because it is the source of new jobs and as the goals of the inheritance tax were never achieved (Comisión de Impuestos 1961, 1-2). It was difficult to control compliance, which also made the inheritance tax unfair, especially when it came to real estate (ibid.). The abolition of the tax would therefore support the economy. Social justice would also require its abolition because the tax amounts sometimes reached confiscatory heights (ibid., 3). Deputy Francisco Rodríguez Gómez made the following arguments:

“The Inheritance and Legacy Tax is a tax that by nature corresponds to taxes on capital. Such taxes have very considerable disadvantages... gradually absorbing the very capital they tax..., it breaks with the principle of fairness and justice in tax matters...[and] breaks the principle of uniformity, because it is not possible to control, with the same efficiency, movable property in relation to real estate [thus] it is very feasible to evade payment. ... [A]s well, a serious inconvenience was noted: people who managed to raise large amounts of capital avoided paying the tax on inheritances and legacies, through company constitutions that issued bearer shares. In this way, the levy could not be made effective either.” (Diputados 1961, 43)¹⁰⁵

But the most frequently narrative for abolishing the tax brought forward by the politicians in congress and spread in the public was another: that the middle class, which was unable to avoid the tax, would suffer the most (ibid., 43). Instead of closing the loopholes and preventing circumvention, the tax was abolished altogether. Deputy Rodríguez Gómez congratulated the government and stressed that it was not the rich but the poor who would benefit most from the abolition and should be thankful accordingly. But the Secretary of Treasury Ortiz Mena himself stated at the last reunion of the Fiscal Commission that the abolition was a “concession made to people with high incomes” (cited after Aboites and Unda 2011, 41).

The abolition of the inheritance tax and further changes in the fiscal reform were far away from the ideas of Keynes (and the group of experts around Víctor Urquidi, namely Rafael Urrutia, Agustín López, Ifigenia Navarrete, Ernesto Fernández Hurtado, and Urquidi himself (Aboites 2003, 47)). Kaldor pledged for radical changes of the tax scheme. In his opinion, it was necessary to strengthen the administration, close loopholes and many exceptions which made the system

¹⁰⁵ „El Impuesto sobre herencias y Legados es un impuesto que por naturaleza corresponde a los impuestos sobre capitales. Tales impuestos tienen desventajas muy considerables... absorbiendo paulatinamente el propio capital al que gravamen..., rompe con el principio de equidad y de justicia en materia tributaria ...[y] rompe el principio de uniformidad, porque no es posible controlar, con la misma eficacia, los bienes muebles que los inmuebles [entonces] es muy factible eludir el pago. ... [T]ambién se advirtió un serio inconveniente: las personas que lograban reunir grandes capitales, eludían el pago del impuesto sobre herencias y legados, a través de constituciones de sociedades que emitían acciones al portador. De esta manera, no podía tampoco hacerse efectivo el gravamen.”

deficient and unfair. The “fiscal immunity of the rich classes” (Kaldor 1961, 115) fostered economic inequality and hindered the economy from its potential to grow.

In regard to the inheritance tax, Kaldor was against the family relation as a factor to decide upon the marginal tax rate; instead, the economic wellbeing of the heir alone should be taken into account to determine the marginal tax rate which should be progressive and thus the rate should grow in accordance to the ability-to-pay ratio. However “extreme” these ideas may have sounded, Kaldor did not want the inheritance tax to be confiscatory and thus it should not exceed 40 percent at its highest rate – also with the argument of avoidance in mind. But – as history teaches us – his ideas got totally rejected.

In 1961, the initiative to abolish the inheritance tax was passed on to the Senate with 145 yes votes and 2 no votes (Diputados 1961, 43). According to the Senate, the tax had been intended to benefit the collective – but this promise had not become true (Senadores 1961, 1). In addition, investing with capital became increasingly important, which was why the tax had to be abolished as to increase the incentives for further investments. The government would not pretend that the tax was dispensable, so states would receive grants in the same amount in the same year. Without any resistance, the inheritance tax was abolished. The tax commission, the deputies, and the senators all agreed within a very short time between December 22nd and 28th 1961 in two readings each.

Table 4.4: RONs of the Mexican elite about the inheritance tax, 1940-1965

<i>Mexican political elite (and economists)</i>	<i>1940-1965</i>	
	Pro	Contra
Storyteller	(Nicolas Kaldor)	ST Ortiz Mena P Alemán
<i>Value based</i>	5	10
Fairness, Justice		1
Principle of Equality	1	1
Principle of merit	1	
Ownership Principle (Family)	1	5
Framework conditions	2	3
<i>Macrosocial</i>	3	15
Means to an end		3
Democracy		1
Inequality	2	3
Home ownership		
Economic reference	1	6
Double taxation		2
Socialism, communism		
<i>Dissatisfaction and suspicion</i>	1	5
Dissatisfaction	1	5
State budget		
Corruption		
<i>Envy and resentment</i>		3
Principle of justice		
Envy		
State begrudged		3
<i>Property preservation</i>	1	2
Principle of equality		
Property principle		1
Types of income	1	1
Foreign dimension		

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	2	5	6	15
Strong		4	5	12-14
Moderate	1	2-3	2-4	4-11
Weak		1	1	1-3

No room for radical and anti-business inheritance tax

The Mexican political elite most frequently used macrosocial narratives with the narratives focusing on economic references being the strongest: First and foremost, the inheritance tax was understood as a barrier to capital. Cultural, scientific, artistic institutions, for “the common good”, should be exempt from taxes as the direct support was understood as more important than the revenue of taxes. The quotas should be fairer, and the devaluation of the money should be considered. Also, inheritances – not the inheritance tax – would help allow the wealth to circulate and thus achieve a better redistribution of wealth. And regarding the framework conditions, those easily and legitimately allowed for avoidance: there were so many ways to avoid inheritance tax that in the end only families who have not thought about how to avoid it would pay the tax. The weak compliance would create inequality.

The second most frequent after macrosocial narratives were value-oriented narratives. Framework conditions and the ownership principle were most often used. It was stated that, since the quotas had continued to rise over the past forty years, attempts to avoid the inheritance had also increased – “como es lógico” (Diputados 1959, 3). Tax avoidance was framed as “logical” and understandable in this way, not as reprehensible. The wish to take precautions for the future was understood as a legitimate human desire and, in the event of death, to want to pass on the accumulated wealth to the family. The heirs of the first tax-bracket would be easily exonerated. In consequence, the family increased in importance in relation to the state. At the same time, the inheritance tax should be individualized: one was no longer responsible as a group of heirs, but individually only for that part that one inherited oneself.

Two further narratives expressed dissatisfaction, envy, and resentment. First, the continued chaos of various laws in place and the complicated and anti-economic system were brought up as to emphasize, from politicians themselves, how dissatisfied they were with the state, which was unable to implement a just and humane inheritance tax. And second, even if the tax should continue to exist, it should be made more humane, in such a way that the state no longer waits like a “bird of prey” for the death of the person so as to take what is intended for the families while they cope with the loss of a loved one.

Narratives regarding property preservation were only weak; however, they also entered the bouquet of narratives (although I would not consider them part of the RON): The testator was enabled to pay the inheritance tax in advance before the own death. In consequence, first, the notion of property became entrenched over generations. Second, the inherent logic of the inheritance tax was undermined as it became irrelevant who would pay the tax. Third, it abetted the narrative on double taxation.

4.1.8 Moral of Mexico's (Hi)story: The Revolutionary Act Became an Act by the Bird of Prey

As stated in the theoretical approach (see 50), narratives carry ideas, values, and norms; they are the stories we tell. For instance, these narratives determine whether we view the state as the most important actor to enable and establish justice or nothing but a bird of prey. If the interest lies in understanding why and how the inheritance tax has changed, it is of utmost importance to analyze the narratives which dominated the discourse and also how the various narratives interact, which bring us to the *repertoire of narratives* (RON). In order to be strong and mutually reinforce each other, the various narratives must be based upon the same convictions; otherwise, they spare legitimacy which – in the political and societal realm – is a prerequisite within liberal democracies.

As presented in the context chapter, not only have the narratives about the inheritance tax changed, but the narratives and its manifestation must be understood within the broader picture, the narratives on taxes in general, and the way the relation of state, market, society, and family have been framed within the dominating paradigm and ideology. The inheritance – as any other tax or policy – forms part of a broader story we tell in politics, as to justify preferences. At no moment in time was there just one RON – on the contrary. What existed, though, were the attempts of the opposing storytellers to express and convince that it was only their narratives that held the answers to the pressing problems and for the biggest justice possible, whilst “the others” were “mentally retarded”, as expressed for instance by Jesús Silva Herzog. The analysis of the Mexican inheritance tax proves that the way the inheritance tax and taxes in general were framed has not always been like nowadays (how it is at present will be analyzed in the next part).

Over a rather short period of time after the revolution until 1940, the story was mostly based upon value-based and macrosocial narratives. The inheritance tax was the expression of the Mexican revolution, a fair and just instrument as to reduce inequality, redistribute wealth, and collect more revenue – much needed for a state, which was understood as the best and only actor that could establish democracy and social justice for *el pueblo*. In terms of value-based narratives, it was just because it would, according to the ability-to-pay principle, be applied progressively, and it was fair because inheritances were unearned income and, as such, these should also be taxed as income.

Although the family relationship was clearly understood as an important factor (expressed in the various tax groups) and charitable institutions were exempt from the payment, it was clear how important the tax was considered: the sanctions of up to 200 percent made any thoughts about evasions very unlikely – along the entire line of all individuals involved in the process, notaries and judges included. The implementation of the National Fiscal Convention as a veto player saved the inheritance tax from severe changes and its abolition over nearly four decades. But these dominating narratives and legal arrangements could not conceal the opponents which the inheritance tax had from its very beginning.

Actors close to the Bank of Mexico, the economic elite in form of CONCAMIN and CONCANACO, and the press (which was from the economic elite for the elite), were against its introduction and, once it was adopted, their stand clearly opposed the dominating political narrative: the inheritance tax was understood unjust and unfair, as ridiculous, as it would be an expression of the right to work and to decide upon one's own income and capital. As it was a direct tax, the inheritance tax would threaten the economic wellbeing, killing incentives to save and invest. Furthermore, the inheritance tax would cost more than it would yield and on top keep foreign investments at bay. Worst of all, however, was that the state would become the largest owner and rentier, while the family should be the only heir of the fruits of the *jefe* of a family. The introduction of the inheritance tax was seen as nothing less than an attack on the right to property rights which were accepted over centuries. The National Fiscal Convention, according to this view, was itself framed as an illegitimate, if not illegal body (as direct taxes were subjects to the level of states, not the federal state as a whole), which thus acted against the familiar patrimony. The narratives went across values, macrosocial elements, expressed a strong dissatisfaction and resentment towards the state, and pledged for the preservation of property itself.

While most of the narratives for and against high and progressive inheritance taxes persisted, the RONS changed in regard of its focus. Whereas from 1920 until 1940, the advocates of higher and progressive inheritance taxes stressed its importance in democratic and inequality means, emphasizing how unacceptable its evasion and avoidance would be, from 1940 until 1960, the focus on democracy and inequality evaporated. Value-based narratives became more important than macrosocial aspects. However, what was much more severe than the change of the repertoire were the advocates altogether. While the political elite in the form of the Secretary of the Treasury and President, as much as the National Fiscal Convention, were strongly convinced of the role and importance of the inheritance tax from 1920 until 1940, over a couple of years from 1940 until 1947 the discourse shifted. Already in 1940, the inheritance tax was no longer understood in the sense of an instrument to reduce inequality, but to yield revenue as to finance education and culture. The topic of inequality and redistribution lost its appeal and this narrative was no longer told.

As was the case from 1920 until 1940, various repertoires (also more than the two main repertoires presented) coexisted. But with the Third National Fiscal Convention in 1947, the political elite changed its RON, expressing another stand towards the inheritance tax, taxes in general, and the role of the state. The narratives on inheritance taxes also changed strongly: From being a just and fair tax as to reduce inequality and redistribute wealth (1920-1940), to a tax that should yield revenue for education and culture (1940), to an unfair and unjust tax that would be a burden (1947), especially to the middle classes, only twenty years passed; from being a burden to the state being a bird of prey, less than 15 years passed; from its inauguration to its abolition, 36 years. By 1962, the inheritance tax was framed as unjust and unfair, with the middle class suffering the most, as the tax was so complicated and confiscatory high. As a result, tax avoidances were framed as logical, but only affordable by the wealthy. Before the inheritance tax was

abolished, its inherent logic – manifested in Article 1, stating that the tax should be paid by the heir – was undermined and thus property rights were strengthened: capital was not understood as individually only, but as the assets owned by the family.

Furthermore, this gave reason to argue about the inheritance tax as a means of double taxation. The inheritance was an expression of the role and importance of *el jefe* while, as to repeat the strongest expression, heirs were “the continuation of his personality in terms of property rights”¹⁰⁶. The family principle and dissatisfaction with the state were among the strongest narratives against the inheritance tax. Yet the strongest of all was regarding its negative consequences for the economy. The inheritance tax was framed as a barrier to capital investment, bad for private savings, and something that absorbed capital and hindered further creation of jobs. While philanthropy was seen as noble, taxing capital from rich who would like to donate was thus also economically bad. Instead of putting a burden especially on businesses, the state should support them as to foster the economic wellbeing of the entire society.

The RON created and advocated by Nicolas Kaldor and some Mexican experts was, in the view of Ortiz Mena, inadequate for Mexico. Not only were their ideas too radical, what was different in comparison to the dominant RON from the political elite from 1920 until 1940 was Kaldor’s stand towards family. While both of the pro higher taxes RON framed the tax as just and fair, pledged for a (mostly) progressive design, and emphasized its role for reducing inequality and for redistributing wealth, Kaldor wanted to put the democratic state and fairness principles over the family. However, his attempt did not end with success. Neither his nor the ideas of the group of advisors from the Ministry of Treasury, the Bank of Mexico, or the *Hacienda-Banco de México* group were considered.

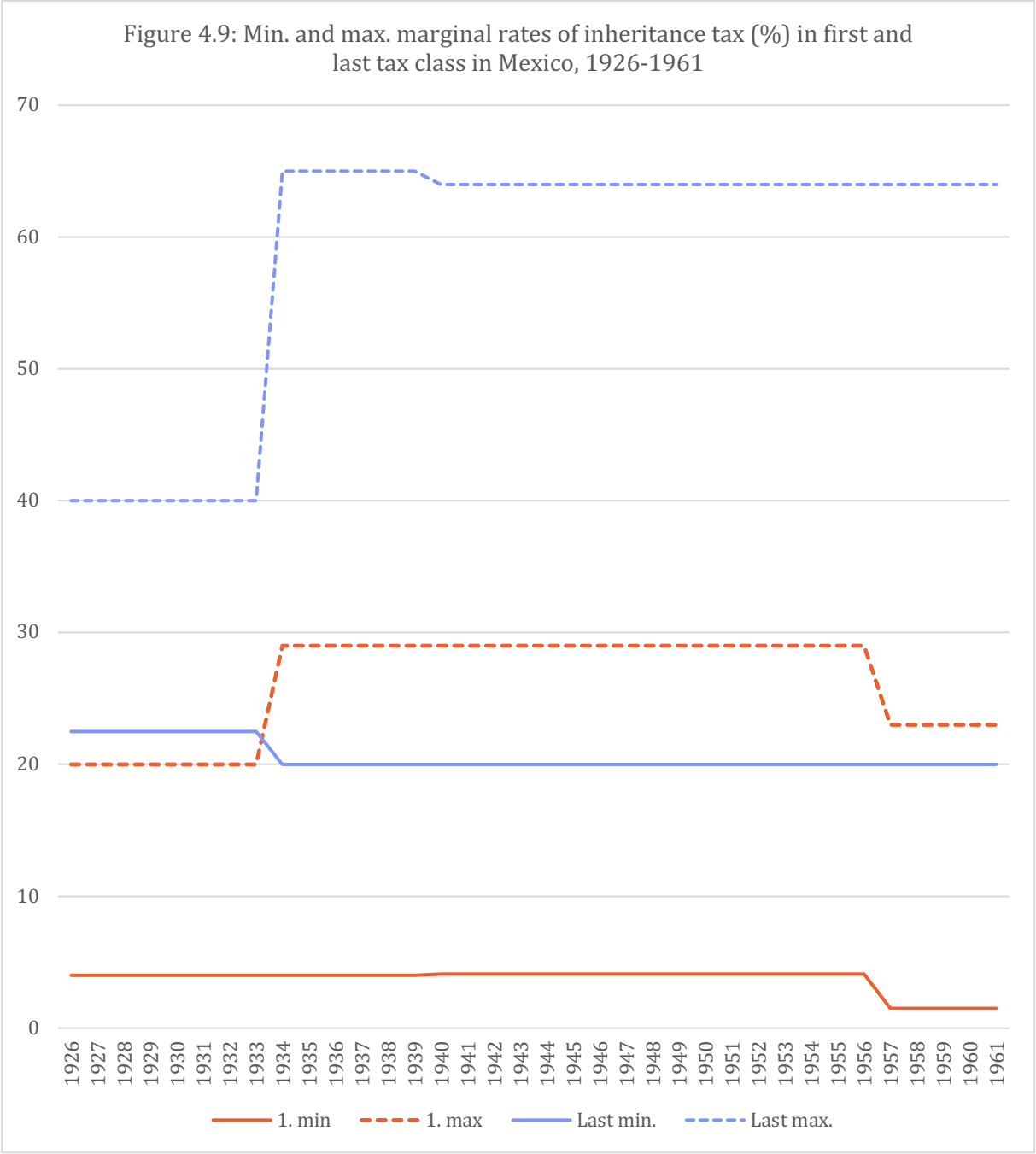
Furthermore, as opposed to the years 1920 until 1940, the National Fiscal Convention, which in 1947 was now aligned with business-friendly ideas and framing taxes as a burden, was no longer taken seriously and important, as it lost its power as a veto player in 1959 and 1961. Overall, the advice from political bodies lost some of its importance. The behavior of Secretary of the Treasury Ortiz Mena showed this very clear: While still asking for advice, first from the economist Nicolas Kaldor and afterwards his most trusted advisors, Ortiz Mena nevertheless would finally negotiate and discuss his plans with the economic elite, especially the bank elite. The RON putting the market over the state became prevailing.

¹⁰⁶ “„Son la continuación de su personalidad en cuanto al derecho de propiedad“.

Table 4.5: RONS of the Mexican elite about the inheritance tax, 1920-1965

<i>Mexican political elite (and media)</i>	1920-1940		1940-1965	
	Pro	Con	Pro	Con
<i>Value based</i>	12	13	5	10
Fairness, Justice	3			1
Principle of Equality	1		1	1
Principle of merit	1		1	
Ownership Principle (Family)	1	7	1	5
Framework conditions	6	6	2	3
<i>Macrosocial</i>	10	7	3	15
Means to an end	1			3
Democracy	4			1
Inequality	3	2	2	3
Home ownership				
Economic reference	2	5	1	6
Double taxation				2
Socialism, communism				
<i>Dissatisfaction and suspicions</i>		2	1	5
Dissatisfaction		2	1	5
State budget				
Corruption				
<i>Envy and resentment</i>		4		3
Principle of justice		2		
Envy				
State begrudged		2		3
<i>Property preservation</i>	5	5	1	2
Principle of equality				
Property principle	1	2		1
Types of income	2	2	1	1
Foreign dimension	2	1		

	1920-1940				1940-1965			
	Pro (i|cat)		Contra (i|cat)		Pro (i|cat)		Contra (i|cat)	
Strongest	6	12	7	13	2	5	6	15
Strong	5	9-11	6	10-12		4	5	12-14
Moderate	2-4	3-8	2-5	3-9	1	2-3	2-4	4-11
Weak	1	1-2	1	1-3		1	1	1-3



Source: own compilation, information retrieved from the inheritance tax laws.
 For an overview of all tax rates in all tax classes, see Appendix figure A 2, on page 446.

4.1.9 Revival of the Mexican Inheritance Tax? Not under President AMLO

The focus of this dissertation is to analyze the narratives of the economic elite on the inheritance tax. Before presenting the heart of the matter, I would like to briefly present the current situation: What is President Andrés Manuel López Obrador's position on tax policy and, specifically, the inheritance tax? How has wealth inequality developed in Mexico and how are the issues of inequality and inheritance tax conflated in the Mexican context?

AMLO: End tax privileges for the richest and tighten the belt – *la Austeridad Republicana*

When Andres Manuel López Obrador, known by his acronym AMLO, won the election as Mexico's 65th president on July 1, 2018, media around the world reported a victory for a leftist politician; including the *BBC*: “*Es la primera vez que en México gana las elecciones un candidato de izquierda*” (*BBC* 2018; *New York Times* 2018). For the new President, who led the coalition *Juntos Haremos Historia* (Morena-PT-PES), it was the third attempt in the course of the 64-year-old's political career, this time crowned with success. He won with 53.19 percent of the vote, far ahead of his opponents Ricardo Anaya Cortés (*Coalición Por México al Frente* with 22.27%) and José Antonio Meade Kuribeña (*Coalición Todos por México* with 16.40%) (INE 2018). AMLO, as was expressed in the media, had received a mandate to overcome the status quo and reform the country. He won the election on his promise to end corruption, reduce violence, and fight poverty in Mexico. AMLO's planned changes were to be so profound that they would mean a “fourth transformation”, *Cuarta Transformación* or 4T.¹⁰⁷

The electoral program of AMLO's *Movimiento de Regeneración Nacional* (Morena) party, or government program for 2018 to 2024, comprises 18 points set out in 26 pages (Gobierno 2018). What served as the election program of Morena in 2017 (Morena 2017) became the basis for the government program after the 2018 election victory – the documents are almost congruent. This shows how powerful Morena is; compromises with the other parties, as is common in coalition agreements in Germany, were not made.¹⁰⁸ Inequality does not have its own point in the program, but it is mentioned directly in the first sentence in a list among poverty and education as a challenge; specifically, it says that both economic and social inequality should not grow (Gobierno 2018, 3). It goes on to say,

¹⁰⁷ The first three transformations refer to Mexico's independence, won between 1820 and 1821; the second included the *Leyes de Reforma*, which emerged after the war between liberals and conservatives between 1858 and 1861 and led, among other things, to the separation of church and state. The third transformation was the Mexican Revolution, which represents starting points of the historical context. AMLO's term in office should now herald a fourth transformation.

¹⁰⁸ Only the introduction of the election program, which was about the election and the designation of who chaired which commission on the various issues, was taken out.

“Stagnation, deterioration, inequality, and corruption are not Mexico’s only possible destinies. The power to change our national, state, and municipal circumstances has always been in our hands.” (Gobierno 2018, 3)¹⁰⁹

With this statement, the government clearly rejects the typical neoliberal view that inequality is “a necessary byproduct of capitalism” (Thompson 2007, 145) or simply the result of globalization and technological progress (Nascia and Pianta 2009, 332). Instead, in the manner of Anthony Atkinson, “[t]he solutions to these problems lie in our own hands” (Atkinson 2015, 308).

In total, inequality is mentioned five times in Morena’s electoral program. It is also said to grow as a result of corruption (Morena 2018, 5), is explicitly framed in terms of gender inequalities that should not exist (ibid., 8), and fundamentally, economic inequality is framed as one of the great evils alongside corruption, poverty, anti-democratic tendencies, the violation of human rights, expropriation of villages, and destruction of the environment (ibid., 11). Thus, in terms of inequality, the government expresses itself as leftist rather than conservative; leftist in that inequality is not only addressed, but also problematized.

But contrary to what the contemporary literature on inequality suggests (Atkinson 2015, 179-204; Piketty 2020, 975-979; Saez & Zucman 2019, ch. 7, Conclusion; OECD 2021, 139-140), the government clearly rejects an increase in wealth-based progressive taxes. As far as taxes are concerned, the program is very clear in its formulation: the main sources of revenue to address the problems will come from fighting corruption, as well as from austerity policies overall. The government should spend less, but more efficiently, using the available funds. On November 19, 2019, AMLO poured his austerity policy into the *Ley federal de Austeridad Republicana* (Diputados 2019). This law has “the purpose ... to regulate the austerity measures to be observed in the exercise of federal public spending and to help ensure that the economic resources available are administered effectively, efficiently, economically, transparently and honestly” (ibid., Art.1).¹¹⁰ According to the *austeridad republicana* and the overall fiscal policy, no new debt is to be incurred, and tax increases were ruled out; neither were existing taxes to be raised nor new taxes to be introduced (Morena 2018, 7, 22). It is thus not surprising that the inheritance tax is not mentioned in the program.

The discrepancy – on the one hand, the sound of left-wing policies for the people and an expressed desire to reduce poverty and inequality, and on the other hand, no willingness to implement tax increases for high earners or the wealthy and praising austerity – is one of the main reasons why AMLO is not understood as a left-wing politician by some experts I interviewed (ITV #42, 44, 45, 53). His fiscal policy, some say, is still neoliberal, although his promises were to move away from

¹⁰⁹ “El estancamiento, el deterioro, la desigualdad y la corrupción no son los únicos destinos posibles de México. La facultad de cambiar nuestra circunstancia nacional, estatal y municipal siempre ha estado en nuestras manos.”

¹¹⁰ “Tiene por objeto regular y normar las medidas de austeridad que deberá observar el ejercicio del gasto público federal y coadyuvar a que los recursos económicos de que se dispongan se administren con eficacia, eficiencia, economía, transparencia y honradez.”

neoliberal policies. But the understanding of what is considered neoliberal or progressive in terms of tax policy is up for debate. As early as 2012, Morena spoke not only of the need to overcome neoliberalism, but also explicitly of the need for a new economic model to put an end to tax privileges for large companies (Morena 2012). Morena's 2012 and 2017 programs include the item "For a new economic model", *Por un nuevo modelo económico*, as the seventh of a total of ten points:

"Fiscal injustice deepens social inequality. Large companies enjoy tax privileges and pay almost no taxes while most of the taxes fall on salaried workers, professionals, small and medium-sized businessmen and traders. We are against taxing medicines and food with VAT and in favor of a progressive tax reform. We want large corporations and the richest people in the country to pay more." (Morena 2012, 5; Morena 2017, 6)¹¹¹

One expression of this difficult balancing act in implementing this fiscal policy are the many changes in the Ministry of Finance. In just three years since taking office, AMLO has had three finance ministers: Carlos Manuel Urzúa Macías (December 2018 to July 2019), Arturo Herrera Gutiérrez (July 2019 to July 2021), and Rogelio Ramírez de la O (July 2021 to present, August 2023). Carlos Urzúa left after less than a year. In his resignation letter posted on Twitter, the former Finance Minister described that "all economic policy must be evidence-based ... free of all extremism, whether right-wing or left-wing" (Urzúa, Twitter, 07/09/2019)¹¹². AMLO, in turn, accused him of drafting a neoliberal fiscal plan, precisely what AMLO wanted to finally change after 36 years (Infobae 2021; Morena 2017, 3).

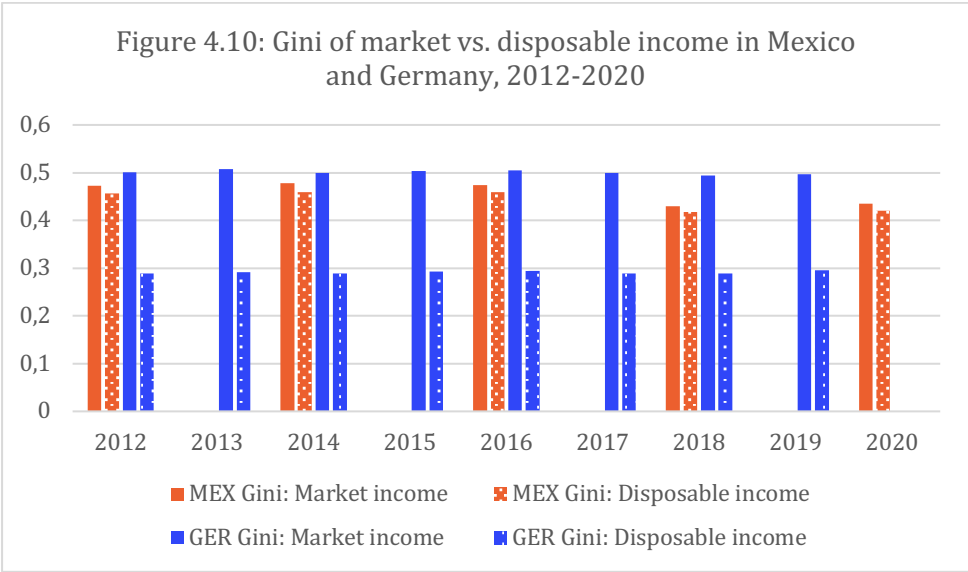
In AMLO's view, the main reason for inequality is corruption. The President avoids new tax collections of any kind. When Mexico held the presidency of the United Nations Security Council in November 2021, AMLO took the opportunity to propose a fund into which the 1,000 richest people on the planet could voluntarily pay 4 percent of their wealth each year. This could lift 750 million people out of absolute poverty (*Proceso* 2021). AMLO did not speak of the introduction or expansion of a wealth tax; there was talk of a "voluntary contribution" (*ibid.*) – which did not take place. As depressing as the problem of inequality is, it is important to AMLO, both nationally and internationally, not to speak of taxes for the rich. In this respect, it is wrong to say in the headlines that AMLO is calling for a wealth tax (*ibid.*). Voluntary levies are desired, but new taxes are not.

¹¹¹ "La injusticia fiscal profundiza la desigualdad social. Las grandes empresas gozan de privilegios fiscales y casi no pagan impuestos mientras la mayor parte de las contribuciones recaen en los trabajadores asalariados, profesionistas, pequeños y medianos empresarios y comerciantes. Estamos en contra de gravar con IVA las medicinas y los alimentos y a favor de una reforma fiscal progresiva. Que las grandes corporaciones y los más ricos del país, paguen más."

¹¹² "toda política económica debe realizarse con base en evidencia ... libre de todo extremismo, sea éste de derecha o de izquierda".

Longue durée of wealth inequality and some pro-inheritance tax advocates

Inequality in Mexico is striking – this can be seen over a long time span. Both income and wealth inequality are very high by international standards. In 2022, the poorest decile of all households earned 2.1 percent of all income, while the top 10 percent accounted for 31.5 percent (INEGI 2023, 1). Unlike in Germany, income inequality after taxes and transfers remains at about the same level despite the 2013 tax reform, which briefly had a positive effect on the redistributive impact of the tax system (CEPAL 2016, 125).¹¹³ This is well illustrated by the Gini. While income inequality in Germany is reduced by 40 percent, the difference of market vs. disposable income¹¹⁴ in Mexico is at 3.4 percent.



Source: Data from OECD.stats (08/03/2023), Income Distribution Database, by country inequality. Note: Since 2012, the OECD has had a new definition of income inequality, so that a comparison between Germany and Mexico is possible as of 2012.

More extreme than income inequality is wealth inequality. As early as 1811, Alexander von Humboldt reported on Mexico as “the country of inequality. Nowhere does there exist such a fearful difference in the distribution of fortune” (Humboldt 1811, n.p.). Using historical data on wealth inequality or tracing the evolution of Mexico’s wealth inequality is difficult because there is no official data on wealth in Mexico (Esquivel 2015, 16). In this regard, Miguel del Castillo Negrete states that it is not possible to study the wealth of the top 10 percent (Del Castillo Negrete 2017,

¹¹³ Mexico’s last tax reform in 2013 caused the Gini to fall briefly before and after taxes and transfers, from 0.478 to 0.459, producing a 3.97 percent reduction in income inequality; this reduction put Mexico on par with countries such as Korea and Chile (Messmacher 2017, 57). But the most recent 2020 data show: The effect of reducing inequality before and after income has returned to the level at which it was before: 3.4 percent (3.38 percent in 2012). In return, overall inequality has fallen, from 0.457 to 0.42. This means that while income inequality fell, the tax and transfer system did not contribute to it.

¹¹⁴ Market income is income before taxes and transfers; disposable income represents income after deduction of all taxes, transfers and entitlements (such as also pension insurance, compulsory social security contributions).

29). In his *propuesta de cálculo*, del Catillo Negrete makes an attempt and summarizes some important facts:

“Over the last 10 years, national income per person in Mexico has grown at an annual rate of 0.9% in real terms. However, wealth per person, that is, the sum of financial and non-financial assets that each inhabitant of the country had, increased 7.5% per year in real terms. Those who have assets can, without much effort, increase their income and wealth, in contrast to those who only have their labor, as Thomas Piketty has shown (Piketty, 2014).” (Del Castillo Negrete 2017, 11)¹¹⁵

Castañeda Garza and Krozer show for the State of Sonora a present Gini index measure of 0.8 in 1910 (Castañeda Garza and Krozer 2020, 30). This measure is equivalent to the Gini at present and its level over the last decade (Credit Suisse 2012-2021¹¹⁶). It is therefore not surprising that the World Inequality Report identifies Mexico as one of the most unequal countries in the world (Chancel et al. 2022, 29). According to the WIR 2022, the poorer half has no assets at all, only debts. Looking at high inequality and recent reforms, the OECD finds that “the impact of the reforms in strengthening equality was very modest and further reforms will be needed” (OECD 2018d, 24). In total, the OECD formulates nine key recommendations; the second recommendation is to “[r]aise more revenues from recurrent taxes on immovable property and green taxes, and introduce an inheritance tax” (ibid.). International organizations are not alone in holding this view. Gerardo Esquivel, former deputy director of the Bank of Mexico, points out in his report for Oxfam where to start: “One of the big problems is that our tax policy favors those who have the most. It is by no means progressive and the redistributive effect is almost nil” (Esquivel 2015, 8)¹¹⁷. In our interview I asked about where Esquivel would start to address wealth inequality. He replied:

“In Mexico we don’t have inheritance taxes. ... I think that is something that would be useful to discuss in countries like ours, where inequality rises, especially above a certain very high threshold. When you start talking about inheritance taxes, a lot of people of the middle class think their house would be taken away from them, the house that they will pass on to their children. The inheritance tax is not for that purpose. The inheritance tax is for the big capitals, multimillionaire capitals, that clearly exceed the needs that a family or entire generations may have at a consumption rate that is even generous. So I think that there is an important space for that and that otherwise the only thing we do is to

¹¹⁵ "En los últimos 10 años, el ingreso nacional por persona en México ha crecido a un ritmo anual de 0,9% en términos reales. No obstante, la riqueza por persona, es decir, la suma de activos financieros y no financieros que cada habitante del país tuvo, aumentó 7,5% por año en términos reales. Los que disponen de activos pueden, sin mucho esfuerzo, incrementar su ingreso y patrimonio, a diferencia de los que sólo disponen de su trabajo, como ha demostrado Thomas Piketty (Piketty, 2014)."

¹¹⁶Credit Suisse publishes annually a Global Wealth Report; the Data Books compound information on a country-to-country-basis, see: [Credit Suisse Website - studies and publications](#).

¹¹⁷ "Uno de los grandes problemas reside en que nuestra política fiscal favorece a quien más tiene. No es de ninguna manera progresiva y el efecto redistributivo resulta casi nulo".

perpetuate that inequality that, as we know now, tends not only to be maintained, but by the same institutional mechanisms to be perpetuated and to grow.” (ITV Esquivel 2022)

The idea of an inheritance tax in Mexico has been brought up repeatedly in the past five years; not only by some, but by different organizations, experts, parties, and, taking a closer look, with quite different narratives. While the *Movimiento Ciudadano* party, based on the OECD report, emphasized inequality as the main reason for reintroducing the inheritance tax in its August 2018 motion (Álvarez Maynez 2018), Morena senators stressed in September 2020 that the economic crisis urged discussing this form of taxation (*Business Insider* 2020). The Department of Economy and Financial System (*Economía y Sistema Financiero*) was considering its reintroduction in order to increase tax revenues. As the newspaper *Reforma* reported in the headline on its front page on September 2, 2020, this news came “despite President Andrés Manuel López Obrador’s promise not to raise taxes, at least not in the first three years” (*Reforma* 2020, 1). The coordinator of Morena, Ricardo Monreal, spoke of how it was essential to discuss progressive fiscal reform given the severity of the economic crisis due to the corona pandemic (ibid.). However, President AMLO gave a clear rejection to the proposal of Morena’s senators to raise the Inheritance tax (*Noroeste* 2020). AMLO’s announcement that austerity would save 560 billion pesos (21.3 billion euros according to the exchange rate of 0.038 at the time) within his own political ranks came at precisely this time (*La Jornada* 2020, 1). Secretary of the Treasury, Arturo Herrera, supported Amlo’s course: Herrera stressed the need to tighten the belt.

Figure 4.11: Caricature of Secretary of the Treasury Arturo Herrera: budget 2021 – time to tighten the belt



Source: *La Jornada* 2020, 7.

AMLO stuck to his plan to fight corruption and end tax privileges for large corporations, but not to impose new taxes. He underscored this approach when he announced on December 28, 2021, that Carlos Slim, Mexico's richest man (with an estimated fortune of 89 billion euros according to *Forbes*¹¹⁸), paid taxes of 28 billion pesos (1.2 billion euros at the exchange rate at the time) for the sale of a subsidiary of *America Móvil* in the US. Televisa, AMLO said, would pay 15 billion pesos (645 million euros) for the merger with Univisión. This, the President said, was in stark contrast to Mexico's recent dealings with large companies; for example, when the bank *Banamex* was sold to *Citigroup* and not a cent of tax was due.

"So, how can I not celebrate that now it is different. Mr. Oxxo's (José Antonio Fernández) paid 10 billion, Walmart's 12 billion, now 28 billion (Carlos Slim's); Televisa must pay 15 billion. And all of this is to strengthen public finances". (*La Jornada* 2021, 7)¹¹⁹

On this occasion, AMLO paid his respect to Carlos Slim, who behaved very well.

"Zero corruption, not allowing corruption, zero impunity, republican austerity and taking care of the most needy first. For the good of all, the poor first, that is the formula."
(AMLO, *La Jornada* 2021, 7)¹²⁰

The long-lasting resentment of Mexico's economic elite

What comes to bear is AMLO's esteem for the country's main economic actors. Studying the relationship of the economic elite to the government became a duty in Mexico from the 1970s onward, if the interest was to truly analyze the country's history, society, and politics (Luna Ledesma 1992, 9). However, as Gabriel Ondetti elaborates, the analysis of the economic elite must start earlier (Ondetti 2021). The tax reforms and President Lázaro Cárdenas in the 1930s already had a lasting impact on the attitudes of Mexico's economic elites. If one follows Ondetti, the period of Cárdenas' presidency was "a turning point" (Ondetti 2021, 167).

"[T]hreats to property stimulated a counter-mobilization by economic elites and social conservatives. ... the injuries and insults these groups suffered during the reform wave were not easily forgotten. They shaped business identity, ideology and policy preferences in enduring ways. ... Cárdenas' bold reforms clearly had a major impact."
(Ondetti 2021, 169, 186).

¹¹⁸ According to Forbes profile on August 03, 2023, Slim and his family possess 97.7 billion dollars (Forbes 2023a); at an exchange rate of 0.91, this results in 89.36 billion euros.

¹¹⁹ "Entonces, cómo no voy a celebrar que ahora sea distinto. El señor de Oxxo (José Antonio Fernández) pagó 10 mil millones, los señores de *Walmart* 12 mil millones, ahora 28 mil (de Carlos Slim); Televisa debe pagar 15 mil. Y todo esto es para fortalecer la hacienda pública."

¹²⁰ "Cero corrupción, no permitir la corrupción, cero impunidad, austeridad republicana y atender primero a los más necesitados. Por el bien de todos, primero los pobres, esa es la fórmula."

Although groups that would represent the economic elite had sustainably formed by the end of the revolution – for example, CONCANACO (1917) and CONCAMIN (1918) – these organizations were not powerful enough to assert their interests (Alba Vega 2020, 540). In 1926, the most powerful industrialists founded la *Confederación Patronal de la República Mexicana* in Monterey, and in 1929 COPARMEX, the Employer's Confederation, was established. The creation of a persistently powerful group, the *Consejo Mexicano de Hombres de Negocios* (later *Consejo Mexicano de Negocios*, CMN), coincides exactly with the abolition of the inheritance tax, in 1962. The CMN is "a very small but very powerful organization. ... This Council has had a privileged influence over the government and in public policies (Alba Vega 2020, 541)."¹²¹ While twelve of the most powerful CEOs of Mexico's largest companies were represented in this *consejo* at the beginning (Ondetti 2021, 198), today there are 59 (CMN 2023).

When relations among the economic elite "escalated" under President Echeverría (1970-1976), these organizations joined together to form the powerful Coordinating Business Council, *Consejo Coordinador Empresarial*, or CCE (Ondetti 2021, 200)¹²². The influence of these organizations on the design of fiscal policy from the revolution until the presidency of Peña Nieto (2012-2018) has been analyzed in detail by Gabriel Ondetti (Ondetti 2021, 166-231). In his work, he concludes that Mexico's very low tax rate is due to the fact that

"the Cárdenas reforms provoked reactions that strengthened anti-statism in an enduring, self-reinforcing way. ... The reflexive anti-statism of [the big business groups] caused later attempts at public sector expansions, even mild ones, to be interpreted as acute threats to private enterprise." (Ondetti 2021, 231)

In her book *Reducing Inequality in Latin America. The role of tax policy*, Maria Fernandez Valdés Valencia not only examines the role of tax policy in reducing inequality. She also points toward the influence of economic elites on the tax structures (Valdés Valencia 2017). In *No es normal* (2021), Viri Ríos explores this phenomenon. Since the Porifiriato, there has been a clear tendency in Mexico to barely tax the rich. When one surveys Mexico's tax history, it becomes clear that, time after time, attempts to tax the rich have failed (Ríos 2021, 145-151). As a consequence, Ríos sums up, inequality would be inherited from one generation to the next. "It is not normal that in Mexico it is so difficult to get out of poverty and impossible to cease being rich" (Ríos 2021, 256). To the present day, it seems impossible to implement a sensible tax reform that would make it possible to tax the richest in society more heavily.

¹²¹ "una organización muy pequeña pero muy ponderosa.... Ese Consejo ha tenido una influencia privilegiada con el gobierno y en las políticas públicas."

¹²² To understand government relations with big business with focus on tax reforms in times of President Luis Echeverría (1970-1976) and Carlos Salinas de Gortari (1988-1994), see Carlos Elizondo (Elizondo 1994). Elizondo examines when tax reforms were more or less successful. His approach is of special interest because he looks on the economic, ideological and political settings. As Elizondo points out very clearly: "the role of businessmen is crucial" (Elizondo 1994, 161) – not only due to their menace of capital flight or lower investments, but given their informal yet traditionally substantive power due to the consultancy before any changes that might affect their interests (ibid., 167).

"Although discursively López Obrador seems to be very tough on the economic elites, in reality he has refused to raise taxes on them. A few months ago, I interviewed a SAT official on the subject. I asked him why they did not dare to carry out a necessary tax reform. His answer was clear and devastating: 'We can't: this is what kills governments'".

(Ríos 2021, 151)¹²³

Whether this is or would be the case, I cannot assess. What I think is clear is the great importance of the economic elite, about which AMLO speaks openly – especially with regard to the CMN. At their ceremony of *cambios de presidencia del consejo* on February 8, 2019, President AMLO personally attended, along with the Minister of Economy and the Head of State. In his address to the CMN, AMLO spoke of the role that he understands the economic elites play in the well-being of the country:

"If there is growth, there are jobs. If there are jobs, there is welfare. If there is welfare, there is peace and tranquility in the country. ... In the case of you, you are fundamental to achieve growth and welfare. ...

... and Antonio [president of CMN] will always have as your representative our support, the attention to any procedure, management, any support, the need, I mean the possibility of permanent information and communication".

(AMLO, CMN & Gobierno de México 2019, YouTube, min. 29-30, 31, 38-39)¹²⁴

I was able to speak with many of these actors – including several who were in said roundtable – in interviews ranging from 20 minutes (the shortest) to several hours (stretched over several meetings) about their attitudes toward wealth inequality and the inheritance tax.

¹²³ "Si bien discursivamente López Obrador parece ser muy aguerrido en contra de las élites económicas, en la realidad se ha negado a aumentarles lo impuestos. Hace unos meses entrevisté a un funcionario del SAT sobre el tema. Le pregunté por qué no se animaban a llevar a cabo una necesaria reforma fiscal. Su respuesta fue clara y demoledora: 'No podemos: eso tumba gobiernos.'"

¹²⁴ "Si hay crecimiento, hay empleos. Si hay empleos, hay bienestar. Si hay bienestar, hay paz y tranquilidad en el país. ... En el caso de ustedes, son fundamentales para lograr el crecimiento y también el bienestar. ... y Antonio [presidente de CMN] va a tener como representante de ustedes siempre nuestro respeto, la atención ante cualquier trámite, gestión, cualquier apoyo, la necesidad, digo la posibilidad de que haya información y comunicación permanente."

4.2 Germany

4.2.1 Ideology After the First World War – Capitalism, Socialism? First Things First: Liberal Democracy

The end of World War I also meant the end of the constitutional monarchy of the German Empire and the beginning of the parliamentary democratic republic in Germany. After the war raged from 1914 to 1918, Kaiser Wilhelm II abdicated (or was formally deposed illegally by Reich Chancellor Max von Baden, see Seitz 2018). On November 9, 1918, the Republic was proclaimed, and only a few weeks later the people were called to the polls.

The election to the National Assembly was a novelty in itself and justifies calling the new form of society a true parliamentary democracy. While the three-class suffrage had been in force in the empire since 1849, according to which the right to vote was linked to the payment of taxes, this was overcome in 1919. In the mid-19th century, the three-class suffrage system seemed thoroughly modern, since it detached elections from class affiliation. However, tax power was substituted for class: The wealthy paid more taxes, so their vote simply counted for more.

Paradoxically, the direct linking of tax payment to electoral strength meant that changes toward a more socially just tax policy at times further weakened the poorer in the population in the elections. This is because when, for example, the tax-free subsistence level was shifted, fewer citizens thus paid taxes, losing overall weight to the wealthy (Buggeln 2022, 150-152). "A more socially just tax policy thus led to a worsening of political inequality under the conditions of the three-class electoral system" (ibid, 151).

It was not until the mid-1890s that the electoral system was modified in this respect. But it took until after the First World War before we could speak of free democratic elections as we understand them today. On November 12, 1918, the "Appeal to the German People" proclaimed:

"All elections to public bodies shall henceforth be by equal, secret, direct, universal suffrage on the basis of the proportional electoral system for all males and females at least 20 years of age." (Rat der Volksbeauftragten 1918)¹²⁵

The election to the constituent National Assembly on January 19, 1919, thus changed the electoral law as a whole: the demos decided – and not the wealthy in the plutocratic manner. Not only did "one man, one vote" apply, but for the first time women were also allowed to vote and be

¹²⁵ „Alle Wahlen zu öffentlichen Körperschaften sind fortan nach dem gleichen, geheimen, direkten, allgemeinen Wahlrecht auf Grund des proportionalen Wahlsystems für alle mindestens 20 Jahre alten männlichen und weiblichen Personen zu vollziehen.“

elected.¹²⁶ The social-democrats (*Sozialdemokratische Partei Deutschlands*, SPD) received the most votes, 37.9 percent, and led a coalition with the Center (*Zentrum*, Z, 19.7 percent) and the German Democratic Party (*Deutsche Demokratische Partei*, DDP, 18.5 percent; *Statistisches Reichsamt* 1933, 539). In total, the center-left democratic parties thus won 330 of 423 seats. The clear majority meant a strong mandate and was an expression of the population's desire to overcome conservative politics, which had previously acted in the interests of the wealthy.

The constituent German National Assembly, better known as the Weimar National Assembly, convened for its constituent session on February 6, 1919. From February 24 to July 31, 1919, the constitution, the draft of which was written by constitutional lawyer Hugo Preuß, was deliberated and signed by Reich President Friedrich Ebert on August 11, 1919. On August 14, 1919, the constitution of the German Reich, known as the *Weimarer Reichsverfassung* (WRV, RGBl 1919a) came into force and the old *Reichsverfassung* of 1871 expired – Germany became a parliamentary republic.

The new form of state and government came about under "fragile conditions" (Buggeln 2022, part III) and, as we know in retrospect, lasted only until 1933. Despite the tragic history, Christoph Gusy concludes that the WRV was "a good constitution in bad times" (Gusy 2009, 47). In its time, people believed about the WRV that "no other nation [can] boast of such pure democracy," as Reich Chancellor Gustav Bauer proclaimed in the National Assembly on July 23, 1919 (*Nationalversammlung* (NV) 1919d, 1844).

Politically, it was particularly significant that the Weimar Republic strengthened the Reich as a whole vis-à-vis the *Länder* (constituent states). For example, the Reich had the power to legislate on levies and revenues (WRV 1919, Art. 8) and, as a matter of principle, Reich law superseded state law (WRV 1919, Art. 13). The *Reichsabgabenordnung* (Reich Tax Code) of December 13, 1919, stipulated that

"Taxes ... are one-time or ongoing cash payments [that] do not constitute consideration for a particular benefit and are imposed by a public-law community for the purpose of generating revenue on all those who meet the facts to which the law attaches the obligation to pay benefits." (RGBl 1919c)¹²⁷

Article 134 further states: "All citizens without distinction shall contribute in proportion to their means to all public burdens in accordance with the law." Already here, the obligation to contribute is also emphasized in the sense of ability-to-pay; in contrast to the German Empire, however, the weighting of votes in elections was independent of class and also taxes paid by the citizens: "All Germans are equal before the law. ... Public-law privileges or disadvantages of birth or rank are to

¹²⁶ Of the 423 members of the First National Assembly, 37 were female.

¹²⁷ „Steuern ... einmalige oder laufende Geldleistungen [sind], die nicht eine Gegenleistung für eine besondere Leistung darstellen und von einem öffentlich-rechtlichen Gemeinwesen zur Erzielung von Einkünften allen auferlegt werden, bei denen der Tatbestand zutrifft, an den das Gesetz die Leistungspflicht knüpft.“

be abolished. Titles of nobility shall be considered only as part of the name and may no longer be conferred" (WVR 1919, Art. 109). Any monarchical features of the past were stripped away.

The fifth section of the WVR was devoted to "economic life". The monarchy had been abolished, and the events of the previous years had shaken the empire to such an extent that many possibilities were open and needed to be explored – right down to the understanding of the state itself. In the WVR, the structures and processes already pointed to this in their design, which becomes fully apparent in the section on the economy: The goal was a republican reorganization.

In the wake of the preceding sailors' uprisings, the first Reich President Friedrich Ebert of the SPD had declared that he "hated a socialist revolution like sin" (cited after Seitz 2018, n.p.). The leading politicians advocated and established a republic according to a social-liberal understanding of the state. A soviet republic or even "Bolshevik revolution," as had taken place in Russia only a short time before in 1917, was desired by extreme leftists. But as historian Robert Gerwarth pointed out, the election results of January 19, 1919, showed that the majority of the population yearned for a liberal and republican new order (cited after Seitz 2018, n.p.).

If one compares the understanding of property in the WVR to today, the statement that "property obligates" was already found in Article 153 in 1919: "Property is guaranteed by the Constitution. Its content and its limits derive from the laws" (WVR 1919, Art. 153; *Grundgesetz* (GG) 1949, BGBl 1949, Art. 14). Unlike, for example, in the Mexican constitution, property is conceived of purely individually, not in terms of communities, but can be restricted by the state or expropriated in exchange for compensation if this serves the "public good."

Fideikomnisse, entailed estate, a relic of the aristocracy that guaranteed the preservation of property within a family, were explicitly dissolved (WVR 1919, Art. 155). Even though it still took time for the *Fideikomnisse* to be adopted by the Länder and to become legally effective by way of implementing laws (see Kulturgutschutz 2023; an interesting case is described by Eckart Conze 1999), this step should not be underestimated, especially with regard to the form of society and the understanding of property: According to the WVR, assets were no longer protected intrafamilial across generations by the legal institution of entailed estates. The previously tied assets were taken out of the family succession system and, if you will, democratized.

First, the state, as the highest authority, had the power of expropriation, and second, after the death of the owner, the property was also to be regulated by the state: the right of inheritance was regulated "in accordance with civil law". It was explicitly stated that the state would receive a share from the inheritance, which was to be determined according to the laws (WVR 1919, Art. 154). In other words, property was given rights and obligations individually, no other forms (such as communes) were drawn between the individual and the state, and with the death of the owner, politicians were to agree by means of the laws on how much should be transferred to the state in the form of taxes. Thus, a new legal understanding of property was institutionalized.

Socialization was also made explicit: private economic enterprises were to be allowed to be transferred to common ownership (WVR 1919, Art. 156). The independent middle class was given a special position in the WVR: it was to be promoted in legislation and administration and protected against "overburdening and absorption" (WVR 1919, Art. 164). Trade unions were strengthened, and workers and employees were to participate at the same level as entrepreneurs "in the regulation of wage and working conditions" (WVR 1919, Art. 165). The constitution also provided for a welfare state. For example, necessary maintenance for the unemployed was to be provided (WVR 1919, Art. 163), and every German, especially families with many children, was to be assured "healthy housing" (WVR 1919, Art. 155). In view of all these provisions, the Weimar Republic was thus not only a parliamentary democracy, but a welfare state.

All these regulations had yet to find expression in the implementation and enactment of laws; however, the establishment of a welfare state was based beyond any doubt on that very constitution¹²⁸ :

"[N]umerous ... sociopolitical reforms in health care, child and youth welfare, and the promotion of housing construction ensured that the number of recipients of welfare state benefits, as well as government spending on social policy, expanded significantly compared with the *Kaiserreich*." (Schmidt and Ostheim 2007, 134)¹²⁹

Unlike Friedrich Ebert, Reich Chancellor Gustav Bauer (06/20/1919-03/26/1929) spoke of capitalism being overcome when, through new laws

"the worker is lifted out of his previous position, merely as a worker, and makes him a co-determiner in the production process. In the new Germany, it is no longer capitalist property alone, but productive collaboration, which confers rights and shares ... thus finally negating the idea of capitalism. It does not eliminate the entrepreneur, but a one-sided preponderance. It puts the general interest above private interest. It ends once and for all the age of the 'living machine' and paves the way to the ideal of socialism: to the equal employee and co-owner." (Bauer, SPD, NV 1919d, 1847)¹³⁰

It is extremely interesting to see how the question of capitalism and socialism was still openly fought over, especially in the first months. Tim Müller points out that Bauer, however, did not

¹²⁸ On "Social Policy in the Weimar Republic," see Schmidt and Ostheim 2007, 131-143.

¹²⁹ „[Z]ahlreiche ... sozialpolitische Reformen im Gesundheitswesen, in der Kinder- und Jugendfürsorge und die Förderung des Wohnungsbaus sorgten dafür, dass sich die Zahl der Empfänger von wohlfahrtsstaatlichen Leistungen ebenso wie die staatlichen Ausgaben für die Sozialpolitik gegenüber dem Kaiserreich deutlich ausweiteten.“

¹³⁰ „der Arbeiter aus seiner bisherigen Stellung, lediglich als Arbeitskraft, [herausgehoben wird] und ihn zum Mitbestimmer im Produktionsprozess macht. Nicht mehr allein der kapitalistische Besitz, sondern die produktive Mitarbeit verleihen im neuen Deutschland Recht und Anteil ... damit die Idee des Kapitalismus endgültig verneint. Es beseitigt nicht den Unternehmer, aber ein einseitiges Übergewicht. Es setzt über das Privatinteresse das Allgemeininteresse. Es beendet ein für alle Mal das Zeitalter der 'lebendigen Maschine' und bahnt den Weg zum Ideal des Sozialismus: zum gleichberechtigten Mitarbeiter und Mitbesitzer.“

reject capitalism as such, but rather the laissez-faire form of capitalism (Müller 2014, 577). Eberhard Eichenhofer also speaks (albeit with reference to the Weimar Constitution) of the fact that

"an economic order [was] expressed that could be called 'social' in contrast to the 'free' market economy, or socially committed and tamed capitalism. Liberal and social concerns stand side by side and are to be balanced by way of compromise. The latter's decisive motto is: The economy is there for the people and not vice versa the people for the economy!" (Eichenhofer 2009, 196)¹³¹

It is difficult for me to deny Bauer's ignorance of the distinction between capitalism and socialism, especially since there were major disputes over paradigms and ideology in those very times. Perhaps Bauer's clear rejection of capitalism corresponded to contemporary skepticism (following Tocqueville, Marx, Pareto, Stephens, and Mill) that the 19th-century "incompatibility narratives" (Krahé 2022, 175), which understood capitalism and democracy as incompatible, persisted in their impact. In the minds of many, capitalism and democracy were diametrically opposed. Capitalism no, liberalism and private property yes. Bauer obviously saw no contradiction in this.

Private property was explicitly not understood by the first governments of the Weimar Republic as being irreconcilable with democracy. Rather, the aim was to strengthen the rights and power of workers and to place the "general interest" above the "private interest". The struggle for the active role of the state in relation to private property and the capitalists was certainly not mature. How could it be different: The Weimar Republic's process of discovery had just begun and had yet to manifest itself through the implementation of principles in the form of laws. But the ideal, a fundamental orientation for society as a whole as well as for the economy and finance in concrete terms, was clear to Bauer:

"Tax legislation must be consciously and systematically adjusted to the goal of equalizing wealth. In order to achieve this goal, not only should war profits be taxed away and old fortunes and large incomes sharply taxed, but the right of inheritance should also be extensively restricted." (Bauer, SPD, NV 1919d, 1847)¹³²

"Whom the people appoint to government," said the Reich Chancellor, "can realize their economic ideal, insofar as ideals can be realized" (ibid.). The ideal of the Bauer government, and thus the beginning of the Weimar Republic, was based on "tax legislation supported by social justice" (ibid.).

¹³¹ „eine Wirtschaftsordnung zum Ausdruck [gelangte], die als 'sozial' im Gegensatz zur 'freien' Marktwirtschaft oder als sozial verpflichteter und gebändigter Kapitalismus bezeichnet werden könnte. Liberale und soziale Anliegen stehen nebeneinander und sind im Wege des Kompromisses auszugleichen. Dessen entscheidender Wahlspruch lautet: Die Wirtschaft ist für den Menschen da und nicht umgekehrt der Mensch für die Wirtschaft!“

¹³² „Die Steuergesetzgebung muss bewusst und planvoll auf das Ziel eines Vermögensausgleichs eingestellt werden. Um dies Ziel zu erreichen, soll nicht nur eine Wegsteuerung der Kriegsgewinne und eine scharfe Besteuerung der alten Vermögen und der großen Einkommen, sondern auch eine weitgehende Beschränkung des Erbrechts durchgeführt werden.“

As Schmidt and Ostheim point out, the Weimar Republic appeared for the first time as a redistributive state (Schmidt and Ostheim 2007, 138). This redistributive function in the sense of the new understanding of the state could only function because a new economic paradigm promoted an expanded and progressive tax system. In the following years, however, the social-liberal government was voted out of office and replaced by a bourgeois-conservative one, so that – as Bauer himself put it – other ideals found their way into the economic order.

4.2.2 Paradigm in the Weimar Republic: Between Redistribution by the Strong State and the Free Market in the Lean State

At the beginning of this new understanding of the state and the corresponding design in the area of economics and finance, one figure in particular was formative: Matthias Erzberger. Matthias Erzberger was born in 1875 in humble circumstances. He grew up with his six siblings in the Swabian Alb, where he trained as an elementary school teacher (Bundestag 2021). The "deeply devout Catholic" (Dowe on DLF, 08/25/2021) caught the eye of *Zentrum* politicians because he appeared confident in discussions and without shyness or fear of older or higher-ranking men. In the party, he managed a rapid rise: as a labor secretary, he founded the Swabian Craftsmen's Association and a Farmers' Association, and supported the establishment of other Christian unions (Beckmann, n.d.).

In 1903, at the age of 28, Erzberger was elected the youngest member of the Reichstag. Issues of the military and military finances fascinated him, but he changed his stance after World War I and vehemently stood up to criticism of his change: "Only a political idiot could still set the war goal in 1917 as he did in 1914/1915" (Beckmann, n.d.). As the initiator of the peace resolution, Erzberger made many enemies, including "numerous opponents within the old elites who feared for their position [so that they made Erzberger] the object of a targeted agitation" (ibid.). On behalf of the government of Reich Chancellor Prince Max of Baden, Erzberger agreed to the armistice agreement on November 11, 1918; as vice chancellor and finance minister in the government of Reich Chancellor Gustav Bauer, Erzberger signed the Versailles Peace Treaty on June 28, 1919, which included very harsh terms for the Germans. This act provided material for the stab-in-the-back legend (*Dolchstoßlegende*), and so Theodor Heuss estimated that Erzberger should not have signed the treaty but should have left it to a member of the Supreme Army Command "who would have been responsible for the conduct of the war. This, however, was Erzberger's 'weakness,' if you will, a busy, unhesitating, even courageous willingness to take responsibility ..." (ibid.).

Nationalists and Nazis were outraged: "He is the greatest scoundrel, he has betrayed the people and the fatherland by signing," Hitler is said to have raged in the Hofbräuhaus (von Appen 2000, n.p.). In 1920, an "unprecedented smear campaign" was waged against Erzberger by Karl

Helfferrich, former finance secretary and later DNVP deputy and *Deutsche Bank* board member (Steinmeier 2021, 3). Erzberger was slandered as a "traitor to the country, as corrupt, as a 'Reichsschädling'" (ibid.) and resigned from his political posts in 1920. In June 1921, Erzberger, only 46 years young, announced that he wanted to return to politics. But this was not to come: On August 26, 1921, Erzberger was shot dead by two right-wing Freikorps members while on a walk near Bad Griesbach (Bundestag 2021, n.p.).

In commemoration of the 100-year anniversary of the assassination in 2021, Erzberger was described by German President Frank-Walter Steinmeier as "a pioneer of democracy" (Steinmeier 2021, 2). Erzberger, as Kurt Tucholsky put it in a poem named after him even before his assassination, was a feisty man to whom the Weimar Republic owed much:

Was bist du alles schon gewesen!
Ein wilder Weltannexionist
(man kann es leider heut noch lesen),
dann, als es schief ging, Pazifist...
Man sah dich stets mit wem paktieren,
du machtest dich dem Reich bezahlt ...
Wir wussten: Uns kann nichts passieren –
Matthias strahlt.
Kurt Tucholsky, 1919

After his assassination, many of Erzberger's projects were toned down again. The early years of the Weimar Republic were marked by a lot of arguing, a lot of wrangling. And if at first the social-liberal design after Erzberger, which introduced high and progressive taxes primarily through direct taxes on income and wealth, still won, the tide turned very quickly. With the bourgeois coalition, many recently adopted regulations were scrapped.

Erzberger 1919 to 1920: Progressive and redistributive reforms

The so-called "Erzberger tax and finance reforms" are described by Stefan Bach and Marc Buggeln as the "birth of the modern tax state in Germany" (Bach and Buggeln 2020). Erzberger placed the reforms at the beginning of his political activities because he saw orderly finances as "an essential prerequisite for the reconstruction of state life" (Erzberger 1919, 4). They were to follow one principle above all others: justice. Taxes not only served to finance the state system, but were also an expression of it; this would be the measure of the legitimacy of the reforms:

"Without security in finance, no nation develops, no polity flourishes. That is why the first work in reconstruction is a fundamental financial reform, in short, a well-thought-out and well-founded system of fair tax distribution." (Erzberger 1919, 4)¹³³

This narrative of taxes represented the beginning of an entirely new understanding of taxes. This was not new in the sense that the narratives were circulating for the first time. The narratives had often been invoked in tax debates and, in particular, in debates about property-related taxes (such as when the empire-wide inheritance tax was introduced in 1906). But for the first time, a government was in office that actually cast these narratives into policy and law. According to Reiner Sahn, Erzberger, who led the left wing of the Reichstag faction, "contributed significantly to the rethinking of tax policy with his speeches" (Sahn 2019, 176).

I would interpret Erzberger's role differently: The narratives and ideal of tax justice were not new (see, for example, Schanz 1906, 181-189); what was new was that the narratives were echoed by a powerful centrist politician who could literally follow his speeches with action and enact legislation. Erzberger was thus the first finance minister to include tax justice in government policy discourse and not only demand it, but establish it.

A first important step in bringing the reforms to a successful conclusion was to restructure and strengthen his own post. After tough negotiations (especially with the states of Baden, Bavaria, and Saxony; see Bach and Buggeln 2020, 45), yet still within a very short time, Erzberger established a strong and centralized Reich Ministry of Finance, which was subordinate to 26 state tax offices along with 1,000 revenue offices (Sahn 2019, 178-179). The State Tax Act of March 31, 1920, which regulated financial relations between the republic, the *Länder* (states), and the municipalities, placed responsibility on the *Reich* to ensure that the other levels were adequately financed. But the responsibility was an expression of the shifted balance of power from the states to the *Reich*: "[T]he previously prevailing relationship between the *Reich* and the states [was reversed]" (Sahn 2019, 179).

The financial needs of the Weimar Republic were enormous: Not only did large expenditures have to be made within the Reich, but the reparation payments to the victorious powers also represented an overwhelming burden. The young John Maynard Keynes, who participated in the negotiations on behalf of the United Kingdom (UK), found the agreed reparation costs so unreasonable that he could not reconcile them with his conscience and submitted his resignation to Prime Minister Lloyd George on June 5, 1919 (Kirshner 2019).

"The policy of reducing Germany to servitude for a generation, of degrading the lives of millions of human beings, and of depriving a whole nation of happiness [will]... sow the

¹³³ „Ohne Sicherheit im Finanzwesen entwickelt sich kein Volk, blüht kein Staatswesen. Darum ist die erste Arbeit beim Wiederaufbau eine grundlegende Finanzreform, kurz gesagt, ein wohldurchdachtes und gut begründetes System gerechter Steuerverteilung.“

decay of the whole civilized life of Europe. Those who sign this treaty will sign the death sentence of many millions of German men, women and children."
(Keynes 1919, cited after Ferguson 1995, 376)¹³⁴

The Weimar coalition faced a weak tax system that could not cope with the gigantic demands. The situation left little room for interpretation otherwise; reforms were needed, and indirect taxes, tariffs, or borrowing would have been far from sufficient. As Buggeln describes it,

"the misery also had one great advantage: all relevant parties saw a need for action regarding the tax system, and there was great agreement that the empire needed to gain stronger access to ... direct taxes." (Buggeln 2022, 291)¹³⁵

While Buggeln assesses that the motives of the political parties were quite different – the Social Democrats, for example, had already been insisting on redistribution for some time, while the German National People's Party (*Deutschnationale Volkspartei*, DNVP) wanted a fiscal boost for the next war (Buggeln 2022, 291) – Sahm describes how the attitude of even the bourgeois parties had "radically changed": "Even the conservative and liberal parties explicitly advocated a tax policy shaped by social policy and aimed at equalizing the existing wealth situation" (Sahm 2019, 175-176).

As far as the conservative parties are concerned, it is difficult to say at this point whether they actually changed so much for such a short period of time; the policies of the following years rather suggest that they allowed the very strong government to operate in the extreme situation without making a lasting change in their functional understanding of the state and taxes themselves. Be that as it may, Erzberger's financial and tax reform was an expression of the change toward a state whose tax system was further developed into a social and sociopolitical instrument (Sahm 2019, 196). It was not only and not primarily financial need that brought about and enabled the change. First and foremost, the new narrative of tax justice was about a strong, solidary state that had to ensure justice. Accordingly, Erzberger's formulated his understanding of himself as finance minister at the center, which is expressed in Erzberger's first speech to the nation on July 8, 1919:

"A good finance minister is the best socialization minister. We are in dire need of such socialization. Even before the war, the difference in Germany between the haves and the have-nots was too great and had thus become a social injustice and a disease on the economic body." (Erzberger 1919, 5)¹³⁶

¹³⁴ Erzberger and Keynes met, incidentally, at the Paris Peace Conference in 1919; Keynes did not think much of Erzberger, calling him "fat and disgusting" (cited after Bouman 1951, 754).

¹³⁵ „Aber die Misere hatte auch einen großen Vorteil: Alle relevanten Parteien sahen Handlungsbedarf bezüglich des Steuersystems und es herrschte große Einigkeit darüber dass das Reich stärkeren Zugriff auf die direkten Steuern ... erlangen musste.“

¹³⁶ „Ein guter Finanzminister ist der beste Sozialisierungsminister. Solche Sozialisierung tut uns bitter not. Schon vor dem Kriege war der Unterschied in Deutschland zwischen den Besitzenden und den Nichtbesitzenden zu groß und damit zur sozialen Ungerechtigkeit und zu einer Krankheit am Wirtschaftskörper geworden.“

Erzberger was also explicitly concerned with "redressing the injustices of the war" by means of tax policy (Erzberger 1919, 18). Erzberger conflated the use of the masses going to war with the plan to tax wealth and made this connection clear.

"Thus it was natural that at the end of the war the broad mass of the people should not only call for the confiscation of the war profits, but should also want their share of the taking away of the war profits. A well thought-out, sharply conceived Reich financial reform will make the call for socialization heard: Inheritance tax and large property levy are the first introductory steps; others will follow." (Erzberger 1919, 7)¹³⁷

The reforms were thus intended to structurally create a wealth-uniform tax system (see Buggeln 2022, 296), to give special consideration to both high incomes and high wealth, and, last but not least, to ensure justice and solidarity. Particularly important was the shift away from a focus on indirect taxes and income and towards direct taxes and wealth. For, as Erzberger put it, "only blood, not also property, was demanded voluntarily and without interest for the fatherland" (Erzberger 1919, 5)¹³⁸. The finance minister appealed to the propertied classes among the people, calling it their duty to refrain from "selfishness, self-interest and luxury" in order to be able to build a "bridge to social reconciliation" (Erzberger 1919, 18).

In his second speech on July 9, 1919, Erzberger said, "he who has received his fortune undiminished should be satisfied, and should willingly and gladly surrender all that has accrued to him above the level of December 1, 1914. This is an imperative of social justice."¹³⁹ He went on to say that "overcapitalization consists in the fact that in a relatively short period of time an accumulation and aggregation of wealth in a few hands has taken place which was in no way justified from a social and economic point of view"¹⁴⁰ (Erzberger 1919, 30, 32).

Important plans included a progressive income tax with a top tax rate of up to 60 percent, a wealth levy known as the *Reichsnotopfer*¹⁴¹, and the enormous strengthening of the inheritance tax. In addition, there were reforms against tax and capital evasion, which included an amnesty "law on tax forbearance" for past tax evasions, provided they were subsequently reported (Bach and Buggeln 2020, 47). The reforms nearly doubled tax revenues by 1925 (Bach and Buggeln 2020, 42). "To sum up, the reform laws passed under Erzberger created the basis for a modern and

¹³⁷ „So war es selbstverständlich, dass die breite Masse des Volkes am Ende des Krieges nicht nur nach der Einziehung der Kriegsgewinne rief, sondern auch ihren Teil von der Wegnahme des Kriegsgewinnes haben wollte. Eine gut durchdachte, scharf angelegte Reichsfinanzreform wird dem Ruf nach Sozialisierung Gehör verschaffen: Erbschaftsteuer und große Vermögensabgabe sind die ersten einleitenden Schritte; andere werden folgen.“

¹³⁸ „[n]ur das Blut, nicht auch das Gut, verlangte man freiwillig und ohne Zinsen für das Vaterland“.

¹³⁹ „derjenige soll zufrieden sein, der sein Vermögen ungeschmälert erhalten hat, und soll willig und gern alles das abgeben, was ihm über den Stand vom 1. Dezember 1914 hinaus zugeflossen ist. Das ist ein Gebot der sozialen Gerechtigkeit.“

¹⁴⁰ „die Überkapitalisierung besteht darin, dass in verhältnismäßig kurzer Zeit eine Anhäufung und Ansammlung von Vermögen in wenigen Händen sich vollzogen hat, die sozial und volkswirtschaftlich in keiner Weise berechtigt war.“

¹⁴¹ The so-called *Reichsnotopfer* was a wealth tax with an exemption of 5,000 marks, today about 100,000 euros (Bach and Buggeln 2020, 46), and a tax rate of 12 to 65 percent for wealth above 2 million marks; in 1923, the *Reichsnotopfer* was transformed into a wealth tax.

uniform tax system ... [and] taken together are still considered the most significant tax reform in German history" (Buggeln 2022, 301, 293).

Announced early on, the final project, which was the political undoing of Chancellor Bernhard von Bülow, was the significant strengthening of the inheritance tax, which for the first time would also make spouses and children liable to tax. According to Georg Schanz, "financial need and the socialist spirit" (Schanz 1920, 326) led to the strengthening of the inheritance tax. But it was more than that: it was above all Erzberger's expertise and skill that made a successful reform possible.

After Erzberger: Bourgeois and conservative

Erzberger's success did not last long. He himself would not observe how his reforms were weakened: On August 26, 1921, the centrist politician was murdered by two right-wing radicals while on a walk near Bad Griesbach in the Black Forest (Bundestag 2021).

When elections were held in June 1920, the SPD-led coalition lost its support and had to make way for a new bourgeois minority government composed of the German Democratic Party (*Deutsche Demokratische Partei*, DDP), the Center, and the German People's Party (*Deutsche Volkspartei*, DVP). The change in government and leaders also brought major changes in the shape of fiscal policy. As early as July 1922, amendments to weaken the inheritance tax were passed by a large majority (*Reichstag* (RT) 1922c, 8659). Spouses were exempted from inheritance tax, tax rates were sharply reduced (by half in the case of children), and the maximum level of inheritance tax was lowered from 90 to 80 percent. These changes provoked heated exchanges, one of which I would like to leave at length in order to make the mood in parliament tangible:

"In order to recognize the monstrous character of the motions of Hergt and Beckert concerning amendments to the Inheritance Tax Law, one must realize things as they really are. For if one reads the moral babblings in the justification of the motion of the German People's Party and the gentlemen around Hergt, one might think that it would be an unconditional moral duty of the German Reichstag to come to the aid of the poor oppressed heirs and to protect them from their economic demoralization and strangulation. I would like to state, however, that the German patriots have always been great only in patriotic mouthing off, but that whenever it was necessary to pay something for their patriotism, they not only spasmodically closed their pockets, but used all their brutal means of power to make the others whom they exploit and whom they bleed pay for them." (Höllein, Communist Party of Germany (*Kommunistische Partei Deutschlands*, (KPD), RT 1922b, 7867)¹⁴²

¹⁴² „Um nun zu erkennen, welch ungeheuerlichen Charakter die Anträge Hergt und Beckert, betreffend Abänderungen des Erbschaftssteuergesetzes, haben, muss man sich die Dinge, so wie sie wirklich sind, einmal vergegenwärtigen. Denn wenn man die moralischen Salbadereien in der Begründung des Antrages der Deutschen Volkspartei und der Herren um Hergt liest, so könnte man meinen, es wäre eine unbedingt sittliche Pflicht des Deutschen Reichstags, den armen bedrängten Erben zu Hilfe zu kommen und sie zu schützen vor ihrer wirtschaftlichen Zermürbung und Erdrosselung. Ich möchte demgegenüber aber feststellen, dass die deutschen Patrioten von jeher nur groß waren in patriotischem

As one deputy noted, the inheritance tax "has been so weakened in contrast to the 1919 law that it now yields almost nothing" (Koenen, KPD, RT 1923, 9474)¹⁴³.

These changes were made before hyperinflation set in in 1923. Due to this course, the government decided that it did not want to further burden the economy and the middle class. "The declared aim of the governing parties of the center right was ... to relieve every individual noticeably and to end the redistribution of income and wealth. ... The ideal of justice thus receded into the background" (Sahm 2019, 185). Even after the economic situation stabilized again, the course was continued by the Grand Coalition, led by Gustav Stresemann.

Hans Luther, first finance minister and from 1925 *Reich* chancellor, not only carried out an enormous reduction in bureaucracy (about a quarter of all civil servants and employees in the Reich were laid off, see Buggeln 2022, 317), but also tasked Johannes Popitz, State Secretary in the Ministry of Finance, with a tax reform that greatly lost its redistributive character: The top income tax rate was lowered from 60 to 40 percent, the progression was weakened, and the rates of wealth and inheritance taxes were also reduced. In exchange, consumer taxes on tobacco and beer were increased (Sahm 2019, 186-187).

The financial emergency of which Schanz spoke in 1920 was now abandoned by the socialist spirit. Redistributive, equitable tax policy was replaced by another priority: that of economic promotion. "Not whether a tax was 'just' or 'unjust,' but whether it promoted or harmed the economy, was declared the central question" (Sahm 2019, 194).

The struggle over the understanding of the state and the narratives about taxes did not change from then on until Adolf Hitler came to power. Even in the years 1928, with Rudolf Hilferding at the head of the Reich Ministry of Finance in the government of the "grand coalition", and 1930, with Hermann Dietrich as finance minister, the basic tenor of economic and fiscal policy in times of lower economic growth was to meet needs through spending cuts on the one hand and increases in indirect taxes on the other (see Sahm 2019, 187). Hilferding's attempt to raise taxes on inheritances and wealth failed. He failed to realize the need for potential additional revenues with the financial hardship.

The centrist politician Heinrich Brüning, who was appointed Reich Chancellor on March 29, 1930, also focused on austerity and increasing indirect taxes. As Marc Buggeln points out, Brüning increased the share of indirect taxes in tax revenues by a full ten percentage points (Buggeln 2022, 355). This change was one of the 62 emergency decrees with which the Reich Chancellor "executed his austerity policy," especially in the area of fiscal policy (Buggeln 2022, 354). However, the global economic crisis that radiated from the United States in 1929 gripped Germany to such

Maulaufreissen, dass sie aber immer, wenn es galt, für ihren Patriotismus auch etwas zu zahlen, nicht nur ihre Taschen krampfhaft zuhielten, sondern ihre ganzen brutalen Machtmittel anwandten, um die anderen, die sie ausbeuten und die sie bluten lassen, für sie zahlen zu lassen."

¹⁴³ „im Gegensatz zu dem Gesetz von 1919 so abgeschwächt, dass sie jetzt fast gar nichts mehr bringt.“

an extent that the additional revenues generated could not make up for the losses suffered in real terms. In the end, neither the austerity nor the deflationary policies sufficiently alleviated the economic crisis. Instead, Brüning eroded democracy on the basis of Article 48 with emergency decrees and without any parliamentary control.

As stark as this contrast between Erzberger and subsequent actors appears to be, it should be emphasized that enormous changes were made compared to the prewar period. While the overall economic tax ratio was still 8 percent of GDP in 1914, it was 15 percent in 1925, and social contributions also rose sharply. Bach and Buggeln sum up that "the economic and social policy of the Weimar Republic ... was clearly more interventionist and welfare-state oriented compared to the Empire" (Bach and Buggeln 2020, 48).

4.2.3 Inheritance Tax Laws 1919 to 1933: On the Shoulders of the Failed Bülow

Erzberger's reform of the inheritance tax of 1919/1920 did not come about in a vacuum: The first inheritance and gift tax, applicable to the entire Reich, had already been introduced in 1906.

Hermann Guido Leopold Freiherr von Stengel, State Secretary at the Imperial Treasury (1903-1908), saw the inheritance tax as a "necessity" to meet increased fleet costs (Freiherr von Stengel, RT 1905, 130). The Social Democrats, including their leader August Bebel, sharply criticized the plans, calling it a "decency tax" because spouses and children were left out and it thus "[fell] far short of what it could, what above all it ought to" (Bebel, SPD, RT 1905, 158). Bebel not only wanted to strengthen the tax; if it were up to him, the inheritance tax would have been only one part "of the whole tax buffet," and not only to finance the additional expenditures. On the one hand, it would provide an estimate of wealth and income "that one could not wish for better" (ibid., 159). On the other hand, the rich would contribute to the state through direct taxes on their wealth. Like no other in the debate, Bebel also advocated that indirect taxes be reduced, actually abolished, because *noblesse oblige*, "possession obliges."

"Those who have property the state has to care for the most, for these it has to defend the most, and in proportion as the defense costs for the income and property of the propertied classes increase, the propertied classes should also contribute to the burdens of the state and the empire in proportion to their property. ... What I am against is that you want to shift the main burden onto the masses, who have nothing, who lead a meager existence." (Bebel, SPD, RT 1905, 159-160, 160)¹⁴⁴

¹⁴⁴ "Wer Besitz hat, für den hat der Staat am meisten zu sorgen, für diesen hat er am meisten zu verteidigen, und in dem Maße, wie die Verteidigungskosten für das Einkommen und Eigentum der Besitzenden steigen, sollen die Besitzenden auch zu den Staat- und Reichslasten nach Maßgabe ihres Besitzes beitragen. ... Wogegen ich eifere, ist, dass Sie auf die Masse, die nichts hat, die kümmerlich ihre Existenz führt, die Hauptlast abwälzen wollen."

Diametrically opposed to this, on the other side of the spectrum and the parliamentary ranks, stood (or sat) Karl Friedrich Freiherr v. Richthofen-Damsdorf, chairman of the Conservative faction of the Prussian House of Lords. Not only was the Reich inheritance and gift tax "extremely antipathetic" to him and his entire party:

"I see in an inheritance tax a threat to the existence of the individual states, a threat to the order of the national budget of all individual states. ... [Moreover, a] tax on the legacies of descendants and spouses ... would be a first step toward communism."

(Freiherr v. Richthofen-Damsdorf, RT 1905, 174)¹⁴⁵

While on the one hand the Social Democrats called for an inheritance tax of up to 100 percent, agrarians and conservatives objected to it in its entirety (Schanz and Manicke 1906, 182). Only three years later, another attempt was made to reform the inheritance tax. In addition to the inheritance tax, an estate tax was to be introduced, which, according to Fritz Schumann, was immediately the main focus of interest (Schumann 1910, 202). Conservatives and the center were absolutely against it, as much had become clear after the first reading.

As Schumann notes, the estate tax was strongly opposed by conservative newspapers: "The 'Deutsche Tageszeitung' recommended a Reich dividend tax as a substitute, the 'Kreuzzeitung' advocated an increase in matriculation fees, and the 'Reichsbote' advocated a bank turnover tax" (Schumann 1910, 208-209). The *Gewerkverein*, on the other hand, expressed disfavor for a policy for the rich: "The wallets of rich people are carefully spared; the fate of the inheritance tax has clearly shown that" (*Gewerkverein* [1909]1997, 381-382).

The fate in question was, in fact, that the draft of an estate tax law was subjected to only one reading in the commission (in four sessions on February 4, 5, 6, 9, 1909) and was rejected on March 2, 1909, by 22 votes to 6 (RT 1909, 9011). In the end, the entire reform failed, and with it the entire so-called Bülow bloc. The rapporteur at the time was the centrist politician Matthias Erzberger. He was able to see at close quarters how the Bülow bloc failed to reform the inheritance tax – and thus knew all the pitfalls.

1919: Spouses and children become liable for inheritance tax ... inheritance tax goes up

As in the analysis of the Mexican inheritance tax, in the following I will not deal with all aspects, but with those that have been identified as relevant to the question. These are:

¹⁴⁵ „Ich sehe in einer Erbschaftsteuer eine Gefährdung der Existenz der Einzelstaaten, eine Bedrohung der Ordnung des Staatshaushalts aller Einzelstaaten. ... [zudem wäre eine] Besteuerung der Hinterlassenschaften von Deszendenten und Ehegatten ... ein erster Schritt zum Kommunismus.“

- Marginal tax rates (within the different tax classes)
- Degree of progression
- Beneficiary (State/Federal State)
- Exceptions and preferential treatment
- Sanctions

But what is truly groundbreaking about the 1919 inheritance tax (ErbStG 1919, see RGBl 1919b) is not encompassed by these categories. For, unlike in Mexico and even today in Germany, what is significant is, firstly, that spouses and children were made subject to taxation for the first time, and, secondly, the structure of the tax itself – or rather taxes, plural. This is because the tax law comprised three types of tax: the estate tax, the inheritance tax, and the gift tax. The estate tax was regulated first and foremost in §§ 2 to 19 and included "all the property of the deceased" (§2)¹⁴⁶. If the total value of the estate did not exceed the amount of 200,000 marks, the first 20,000 marks remained free of the estate tax.

It applied not only if the decedent was residing in Germany, but was linked to nationality: It applied "if the decedent was a German at the time of his death", and to foreigners residing in Germany and to domestic real or business property "without regard to the nationality, domicile or residence of the decedent" (§14)¹⁴⁷. The tax rate started at one percent and went up in one-percent increments for estate assets of 200,000, 500,000, 800,000, and 1,800,000; all amounts above that would be taxed by up to 5 percent (§15). The second section of the inheritance and gift tax dealt with the inheritance tax. This was dealt with in §§ 20 to 39.

In the formulation of when the tax applies, §20 V also explicitly mentioned payments from family foundations and defined them as follows: "Family foundations are such foundations that are essentially made in the interest of a family or certain families".

How exactly the tax liability was structured with regard to nationality and residence was clarified for various scenarios concerning testator and acquirer. Right at the beginning, it was stated in §24(1)No.1a) that the tax liability arises for the entire inheritance "if the acquirer is a German, unless he has resided abroad permanently for more than three years without having a domicile in Germany."

The inheritance tax was levied "according to the personal relationship of the acquirer to the testator" in six classes (§26). Spouses and legitimate children belonged to the first class. With each class, the degree of kinship became lower: grandchildren belonged to the second class; parents and siblings, to the third class. Stepchildren were counted in the fourth class, as well as

¹⁴⁶ All property includes real property, business assets and capital assets (§3). Excluded are household effects and "physical objects that have historical or artistic or scientific value" (§7). In addition, debts, costs of burial and costs of the procedure and settlement and any litigation have been deducted (§10).

¹⁴⁷ In the following, I use § as to refer to one paragraph, §§ to refer to more than one paragraph, brackets as to refer to an "Absatz", and No. as to refer to the number. What would be "§13Abs.1Nr. 4c" in German, is here referred to as "§13(1)No.4c".

grandparents, nieces and nephews, parents-in-law and stepparents; in the fifth class were distant relatives; in the sixth class all non-related persons.

The tax-free amount in pure form was 5000 marks (§27) for dependents of classes one to three. For some dependents from class four, the tax-free amount was 500 marks. Anything above that was subject to a progressive inheritance tax. The brackets began for "the first 20,000 marks or full 20,000 marks" and went in ten steps to amounts above 1.5 million marks. In the first tax bracket, the tax rates were 4 to 35 percent; in bracket six, they ranged from 15 to 70 percent. Another regulation involved the acquirer's assets. A surcharge on the tax was levied if the heir already owned assets in excess of 100,000 or 200,000 marks, but the surcharge could not exceed 90 percent of the total amount. But this amount – 90 percent inheritance tax – was possible (§28).

Figure 4.12: Tax rates according to the inheritance tax law in Weimar Republic, 1919

§ 28

Die Erbanfallsteuer beträgt	in der Steuerklasse					
	I	II	III	IV	V	VI
	vom Hundert					
für die ersten angefangenen oder vollen 20 000 Mark des steuerpflichtigen Erwerbes	4	5	6	8	10	15
für die nächsten angefangenen oder vollen 30 000 Mark	5	6	8	10	12	20
» » » » » » 50 000 »	6	8	10	12	15	25
» » » » » » 50 000 »	8	10	12	15	20	30
» » » » » » 50 000 »	10	12	15	20	25	35
» » » » » » 100 000 »	12	15	20	25	30	40
» » » » » » 200 000 »	15	20	25	30	35	45
» » » » » » 250 000 »	20	25	30	35	40	50
» » » » » » 250 000 »	25	30	35	40	45	55
» » » » » » 500 000 »	30	35	40	45	50	60
für die weiteren Beträge	35	40	45	50	60	70

Die Steuer erhöht sich um je eins vom Hundert ihres Betrags, und zwar soweit das zur Zeit des Erbanfalls bereits vorhandene Vermögen des Erwerbers 100 000 Mark, aber nicht 200 000 Mark übersteigt, für je angefangen 10 000 Mark, soweit das vorhandene Vermögen 200 000 Mark übersteigt, für je angefangene 20 000 Mark. Der Zuschlag darf die Hälfte des 100 000 Mark übersteigenden Betrags des vorhandenen Vermögens nicht übersteigen. Er darf ferner nicht mehr betragen als 100 vom Hundert der Steuer. Der Gesamtbetrag der Erbschaftsteuer darf nicht höher sein als 90 vom Hundert des Erwerbes

Source: RGBl 1919b, 1552.

Exemptions from the inheritance tax were provided for "donations to the *Reich* or to a state" and those that "exclusively serve purposes of the *Reich* or a state or are made to such companies, institutions or foundations" (§32(1,2)). But other cases also fell under the exemption (§33); if, for example, a family member was still living in the household. As well if there was incapacity for work on the part of oneself or family members who were being cared for. Furthermore, if war

widows' benefits or war orphans' benefits could be claimed in the first two years after the end of the war – provided that the inheritance did not exceed 100,000 marks.

The special treatment of family foundations is interesting:

"an acquisition which accrues to domestic family foundations on the basis of a foundation transaction consisting in a disposition by reason of death, provided that the earnings from the foundation are to be regarded as an acquisition by reason of death pursuant to §20(1)No.5. The same shall apply if the foundation transaction has been established for the purpose of implementing a condition imposed by a disposition upon death or because the testator has made an acquisition upon death conditional upon its establishment." (RGBl 1919b, §33)¹⁴⁸

Reductions were made for children if the amount did not exceed 50,000 marks, and by 5 percent for each following year until the age of 21 (so, for example, 20 percent less for a 17-year-old who received 45,000 marks; §34). Churches also benefited, paying a flat 10 percent; the same applied to charitable foundations, societies, associations, institutions, and to charitable purposes that benefited the Reich (§35).

As with the estate tax, household effects and tangible property were not taxed (§37, based on §7) if the acquirers belonged to tax classes one and two; clothing and household effects were not taxed if they were family members of tax classes three to five and if the effects did not exceed 10,000 marks in total value. Several property benefits that had already been taxed were to be added together (no 10-year period according to §38).

As the third section, gift tax is regulated in §§ 40 to 44. In principle, the following applied: "Gifts *inter vivos* are subject to the same taxation as acquisition on account of death" (§40). Assets transferred to foundations were also subject to gift tax (§40No.5).

The donor and recipient were both liable for the tax (§41). The exceptions included "movable property" up to 5,000 marks for persons in tax brackets three to five, if gifts were made for the purpose of maintenance or education, if debts were forgiven as part of an education, and ecclesiastical, charitable, or non-profit gifts (§42No.1 to 4).

In the second part of the law, the assessment and collection of taxes were regulated in §§ 45 to 67. The following aspects are relevant for this work: "The assessment of value is to be based on the fair market value (sales value)" (§47). Land was based on the income value: "The income value

¹⁴⁸ „ein Erwerb, der auf Grund eines in einer Verfügung von Todes wegen bestehenden Stiftungsgeschäfts inländischen Familienstiftungen zufällt, sofern die Bezüge aus der Stiftung nach §20Abs.1Nr.5 als Erwerb von Todes wegen anzusehen sind. Das gleiche gilt, wenn das Stiftungsgeschäft zur Vollziehung einer durch Verfügung von Todes wegen angeordneten Auflage oder deshalb errichtet worden ist, weil der Erblasser von der Errichtung einen Erwerb von Todes wegen abhängig gemacht hat“.

for agricultural, forestry or horticultural land is twenty-five times the net income" (ibid.). For developed land with residential or commercial real estate, "the income value is considered to be twenty-five times the rent or lease", and in this case the average of the past three years, regardless of whether it was or could have been obtained in real terms. If real estate was sold after ten years and the price was 25 percent higher than the assessed value, taxes would have been due retroactively.

In the case of estate and inheritance tax, the heirs were obliged to file a tax return within three months; in the case of gift tax, the donor was also obliged to do so (§§ 53, 54). Registry offices, courts, and notaries were involved in the procedure by notification (§58). Asset managers also had to report to the tax authorities within one month of learning of the death of their clients, even if shares or bonds were transferred (§59). The same applied to insurance companies before they paid out sums insured or life annuities (§60).

"The tax authority shall determine the tax and issue a written tax assessment" (§62). With regard to a tax on land and if the financial circumstances did not permit immediate payment of the tax, a deferral could be granted for ten years (§63).

"If the asset value is calculated according to uses or services [i.e., in the case of business use and rental], the redemption annuity shall be paid through as many years as multiples of the value of the one-year use or service assumed in the calculation of the tax."
(RGBl 1919b, §64(2))¹⁴⁹

In the third part, penal provisions, transitional, and final provisions were regulated in §§ 68 to 74. Of relevance to this work is the penalty for evasion, which can be assessed up to twenty times the evaded tax. "In addition to the fine, imprisonment may be imposed." The states received 20 percent "of the raw revenue accrued in their territory" (§69).

After 1922: The inheritance tax is made toothless ... and goes down again

The next tax reform came just three years after Erzberger's reform. The biggest change in the 1922 reform was the abolition of the estate tax and the de facto exclusion of spouses (more on this below) from tax liability. In addition, the top tax rate in the first tax bracket was almost halved. But let's take this in turn, as some other changes are also relevant.

The "German Reich Inheritance Tax Law of July 20, 1922" (ErbStG 1922, see RGBl 1922) began in the first part in accordance with the deletion of the estate tax directly with the inheritance tax,

¹⁴⁹ „Ist der Vermögenswert nach Nutzungen oder Leistungen berechnet [also bei Gewerbenutzung und Vermietung], so ist die Tilgungsrente durch so viele Jahre zu entrichten, als bei der Berechnung der Steuer angenommenen Vielfachen des Wertes der einjährigen Nutzung oder Leistung entspricht“.

from then on only called inheritance tax. According to §1, inheritance tax was levied on acquisitions upon death, *inter vivos* gifts, and special-purpose gifts¹⁵⁰.

In Part 2, under the personal tax liability, regulated in paragraphs 8 and 9, it was stated that the tax liability applied to the entire inheritance if either the testator or the heir were residents; the number of years someone had to have lived abroad (without residence in Germany) for inheritance tax not to apply was reduced from three to two (§8(1)No.1).

Six tax classes became five (§9). The spouse was still assigned to the first tax class, as were the children, but taxation was only legal "if the age difference between the spouses is more than twenty years and the marriage has not yet existed for five years" (§9(1)No.2). As a rule, this probably meant that the spouses did not pay inheritance tax.

The mother's illegitimate children were excluded from the first tax bracket; they did not explicitly appear in any other tax bracket. This is likely to mean that illegitimate children of the mother were at the mercy of the stepfather in order to be recognized and, if applicable, allowed to apply in the first tax bracket; otherwise, they would fall into tax bracket five (all other acquirers). The mother's position is weakened in relation to the father. The second, third, and fourth classes remained in their form. The fifth class (with distant family, e.g. uncles and aunts) was deleted. Tax class V included all other acquirers. A new feature was that, in the case of foundations, the relationship of the most distant beneficiary in the foundation deed was to be used as the basis for calculating the tax (§9(8)).

The calculation of the tax was a little different (§10). For tax class I, it was lowered a little for starters, starting at 3.5 percent for values above 100,000 marks and increasing, as in all other tax classes, albeit starting from a different tax rate, by 10 percent from the outgoing percentage for each additional 100,000. Thus, at 100,000 marks it was 3.5 percent, at 200,000 marks it was 3.85 percent, and so on. To make it comparable how much it was reduced for the first tax bracket, one can take the value of 1.5 million marks: If, according to the ErbStG 1919 (RGBl 1919b), this was 30 percent, values above this were taxed at 35 percent; according to the ErbStG 1922 (RGBl 1922), it was 12.25 percent, but could rise further.

¹⁵⁰ The special-purpose allocations are an innovation. What is meant by this is explained in §4 but is not relevant for this work.

Figure 4.13: Tax rates according to the inheritance tax law in Weimar Republic, 1922

3. Berechnung der Steuer.

§ 10.

¹ Die Erbschaftssteuer beträgt für die Steuerklassen

I	II	III	IV	V
3,5	5	6	8	14 v. H.

² Der Steuersatz erhöht sich, wenn der Wert des Erwerbes

100,000 M. übersteigt, um	10 v. H.,
200,000 "	20 "
300,000 "	30 "
400,000 "	40 "
500,000 "	50 "
600,000 "	60 "
700,000 "	70 "
800,000 "	80 "
900,000 "	90 "
1,000,000 "	100 "

und so fort bis zu einem Gesamtanfall von 3,000,000 M. um je 10 v. H. für je weitere 100,000 M., darüber hinaus bis zu einem Gesamtanfall von 5,000,000 M. für je weitere 400,000 M. um je 20 v. H. der im Abs. 1 genannten Steuersätze. Bei einem höheren Erwerbe wird das Fünffache der Steuersätze des Abs. 1 erhoben.

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³ Uebersteigt das zur Zeit des Anfalls bereits vorhandene Vermögen des Erwerbers 2,000,000 M., so wird für je angefangene 200,000 M. des übersteigenden Betrags ein Zuschlag von 10 v. H. des nach Abs. 1, 2 berechneten Steuerbetrags erhoben. Der Zuschlag darf die Hälfte des 2,000,000 M. übersteigenden Betrags nicht überschreiten. Er darf ferner nicht mehr betragen als 100 v. H. der Steuer.

⁴ Der Unterschied zwischen der Steuer, die sich bei Anwendung des Abs. 2 ergibt, und der Steuer, die sich berechnen würde, wenn der Erwerb die letztvorhergehende Wertgrenze nicht überstiegen hätte, wird nur insoweit erhoben, als er

- a) bei einem Steuersatz bis zu 30 v. H. aus der Hälfte,
- b) bei einem Steuersatz über 30 bis zu 50 v. H. aus drei Vierteln,
- c) bei einem Steuersatz über 50 v. H. aus neun Zehnteln

des die Wertgrenze übersteigenden Erwerbes gedeckt werden kann.

⁵ Die Steuer darf nicht höher sein als 80 v. H. des der Steuer unterliegenden Erwerbes.

⁶ Als Erwerb im Sinne des Abs. 2 bis 4 gilt die gesamte Bereicherung des Erwerbers, soweit sie nicht durch § 8 der inländischen Besteuerung entzogen ist.

Source: RGBI 1922, 527-528.

This was a new feature of the calculation of the tax: it could continue to increase for all tax brackets, the increased rates did not end at a sum above a fixed amount, but could "not exceed 80 per cent of the acquisition subject to tax". In addition to the inheritance sum, the heir's assets were also used in the calculation, provided that the assets were over 2 million marks. "The assets of the acquirer shall be decisive for the surcharge pursuant to §10(3)" (§11).

Tax bracket five started at 14 percent for over 100,000 marks, also increased by 10 percent for each 100,000 marks (for 3 million and over 5 million marks, tax rates were calculated differently; over 5 million, five times the initial tax rate was applied), but, as with the other tax brackets, could not exceed 80 percent. In 1919, the maximum total amount was still 90 percent.

What was to be deducted from the inheritance tax was that which in 1919 had still been regulated by the estate tax: the costs of the funeral, the costs of the proceedings, the costs of the settlement, and any costs of litigation (§12). Unlike in 1919, "debts and burdens economically related to non-taxable parts of the acquisition ... were not to be deducted."

In the Inheritance Tax Act, care work in the household performed free of charge was credited or "an amount commensurate with the work and the period of service was deducted from the accrual" (§13). For the first time, the 10-year period was formulated in relation to gifts: All gifts transferred at 10-year intervals were taxed together but could not in the aggregate cause a tax of more than 80 percent (§17; ErbStG 1919 §38 still regulated this differently). Thus, taxes could be evaded by applying the gift tax if gifts were divided over a longer period and thus lower rates were credited for lower assets.

The fourth part referred to the tax liability and tax debtors in paragraphs 18 to 20. No changes relevant to this work were made. In the fifth part on exemptions and reductions (§§ 21 to 25), on the other hand, there were some changes. Exempt amounts of 50,000 marks were introduced for tax classes I to IV, and exempt amounts above 5,000 marks for the others (§22 Nos.1, 2). "Household effects and other tangible property" worth up to 500,000 marks in tax classes I and II were exempt; for tax classes III and IV, 100,000 marks were assessed for the same. Art was also regulated by tax law; art objects up to a maximum of 200,000 marks could be passed on tax-free. Art historical or scientific objects could also be bequeathed tax-free if they were not sold; if a sale occurred within the first ten years, the tax exemption would be invalidated (§22No.5b). The tax exemption in the case of incapacity was extended from 100,000 marks to 300,000 marks, and parents and grandparents were included in addition to relatives in tax classes I and II (§22No.9).

While donations to churches or donations with ecclesiastical purposes had previously been taxed at 10 percent, they were now exempt (§22). Domestic foundations, societies, associations or institutions, and "charitable or non-profit purposes" had still been taxed at 10 percent in 1919; in 1922, the tax amount was reduced to 5 percent (§23). New to the list of exemptions were political associations, which were to be tax-exempt on donations of up to 5,000 marks per year, taxed at 5 percent up to 100,000 marks, and taxed at 10 percent above that (§ 24). The tax declaration (§§ 26, 27) and obligations of third parties (§§ 28 to 30) remained the same.

For the determination of the value (§§ 31, 32), it was principally the case that "the time at which the tax liability arose was decisive" (§31). "For objects permanently dedicated to the business, a ... different valuation must take place if and insofar as a higher permanent value is to be assumed as a result of the economic circumstances" (§32(3)). The tax assessment (§§ 33 to 39) was now no longer determined by the tax authority, but by the tax office (§33). Those who did not comply with the tax assessment within three months would have to pay interest at 5 percent. A provisional payment, determined by the tax office, was payable after one month. The deferral regulations for land (§§40 to 44) were the same in substance. The penalty provisions, transitional, and final provisions (§§46 to 49) also remained essentially the same. It is conspicuous that, unlike in 1919, the Länder were not given a proportionate share of the revenue.

The second tax emergency decree of December 19, 1923 (ErbStG 1923, see RGBl 1923) further weakened the inheritance tax: some family members were placed in higher classes so that the tax

rates became lower (such as stepchildren, who moved from the fourth to the first class, §9). More significantly, however, the progression according to the acquirer's wealth was dropped. Thus, progression was again based on the amount of the inheritance and the distance of the relationship, as it had been before 1919. In addition, the percentage tax of 5 percent was abolished; this regulation, which had already been abandoned in 1922 for churches and ecclesiastical purposes, was now also eliminated for the acquisition of municipalities; furthermore, the exemption was extended for charitable and non-profit purposes, whereby §23 was completely deleted and §§21, 22, 23 were merged into one.

Another regulation concerned foreigners living abroad, who could bequeath property in Germany to other foreigners living abroad without a tax being levied. The renewed reduction of tax rates in the first two classes was also significant; overall, in tax classes I through V, instead of 4, 5, 6, 8, and 14 percent, respectively, tax rates began in 1923 with 2, 3, 6, 8, and 14 percent. Anything over one million gold marks was taxed at five times that rate, i.e., 10, 15, 30, 40, and 70 percent.

Figure 4.14: Tax rates according to the inheritance tax law in Weimar Republic, 1923

3. Berechnung der Steuer.
§ 10²).

(¹) Die Erbschaftssteuer beträgt für die Steuerklassen

I	II	III	IV	V	
2	4	6	8	14	v. H. des Erwerbes.

(²) Der Steuersatz erhöht sich, wenn der Wert des Erwerbes

	5,000	Goldmark übersteigt, um		10	v. H.	
10,000	..	..	..	..	20	.. ..
15,000	..	..	..	..	30	.. ..
20,000	..	..	..	..	40	.. ..
25,000	..	..	..	..	50	.. ..
30,000	..	..	..	..	60	.. ..
35,000	..	..	..	..	70	.. ..
40,000	..	..	..	..	80	.. ..
45,000	..	..	..	..	90	.. ..
50,000	..	..	..	..	100	.. ..

Source: RGBl 1923, 1218.

Tax exemptions were also extended (§21), such as: "donations ... to such domestic foundations, societies, associations or institutions that exclusively pursue charitable or non-profit purposes." Finally, the surcharges also ceased to apply. The heirs' pre-existing assets thus became irrelevant, and the redistributive effect vis-a-vis inheritance tax was further reduced.

On August 10, 1925, non-partisan Reich President Paul von Hindenburg and Reich Minister of Finance Otto von Schlieben (DNVP) announced another reform of the Inheritance Tax Law (ErbStG 1925, see RGBl 1925a). One relevant innovation was that spouses remained tax-exempt if they had children (§9). The maximum tax amounts in the tax classes could be taxed higher for assets over one million gold marks, they were not capped at this sum at 10, 15, 30, 40, and 70 percent; in tax classes I to IV, the tax amounts could be 15, 25, 40, and 50 percent and thus more

for assets over 10 million gold marks. Only in tax class V, which included unrelated persons, did the maximum amount go down from 70 to 60 percent (§10). With the distance of kinship, the progression of the maximum tax rates decreased; thus, family ties were minimally weakened.

As a consequence, §17 was also amended and 70 percent replaced by 60 percent as the maximum value that inheritance tax may assume. Tax exemptions in §21 were raised and increased from 3,000 to 5,000 gold marks (including art objects and collections). One innovation was that donations to political parties and associations, "provided that the use of the donation for political purposes is assured," were now also exempt from tax (§21No.20).

While in 1923 it was still called "Penal Provisions, Transitional and Final Provisions," in 1925 this part was shortened to "Transitional and Final Provisions." The penal provision, "[w]hoever evades the tax payable under this Act shall be punished by a fine not exceeding twenty times the amount of the tax evaded. In addition to the fine, imprisonment may be imposed" (ErbStG 1923, §46), was deleted.

4.2.4 Interpretation of the Legislative Changes and Comparative Analysis of the RON 1919 to 1925

With Matthias Erzberger as Reich Minister of Finance, a politician was in power for the first time whose conviction was that taxes were not primarily intended to fill the state budget. Taxes should be fair and do their part to reduce inequality and, in this sense, foster redistribution. This became very clear in the inheritance tax reform: for the first time, spouses and children were subject to taxation, and inheritance tax could cover up to 90 percent of inherited wealth.

The three different ways of calculating the tax made it complicated, but this price was accepted in order to satisfy various principles of justice: the estate tax would be progressive in relation to the deceased; the inheritance tax could take into account the progression according to the family relationship in six tax brackets; and the surcharge took into account the heir's pre-existing wealth, so that here as well redistributive effects could be achieved in a more targeted way.

The allowances were quite low, and even in the case of next of kin, the marginal tax rate was as high as 35 percent. In the case of real estate and land, the value was determined according to the capitalized value. A penalty of up to 20 times the tax payable or even imprisonment may have been high incentives to comply with the tax obligation. All in all, according to Erzberger, the inheritance tax can be understood as a contribution to tax revenue, but above all to tax justice: The state should reduce the large, existing wealth inequality, and thus help the country and the economy as a whole.

But before the inheritance tax could have had a redistributive effect, it was severely weakened: Between 1919 and 1925, in just six years, spouses and children were again removed from tax liability and thus about four-fifths of all inheritances were no longer taxed. The estate tax was also eliminated, so that large estates were not directly taxed; this allowed for easier tax optimization. Halving the top tax rates in the first tax bracket also weakened the redistributive effect overall. Tax allowances were increased, so the base of taxed wealth was lowered. Tax exemptions were extended, and churches, municipalities, political parties, and associations were again completely exempted from tax liability.

Thus, after the inheritance tax was strengthened and redistributed for the first time, it was immediately weakened again. Overall, the inheritance tax was not allowed to exceed 60 percent - and its maximum effect was thus reduced by a third (from a maximum of 90 to 60 percent) compared to six years earlier.

Narrative analysis 1919

Pro: "Something taken for granted and expected from all sides"

The advocates of strengthening the inheritance tax were clearly outnumbered in the Weimar government. With Erzberger as Reich Finance Minister in 1919, these advocates were able to materialize their convictions, which they presented in parliamentary debates accordingly. Inheritance taxes were an expression of the necessary "justice in the entire tax system," which Erzberger declared to be his primary goal (Erzberger, Z, NV 1919b, 1377).

"A good finance minister is the best socialization minister. We are in dire need of such socialization. Even before the war, the difference in Germany between the haves and the have-nots was too large, and had thus become a social injustice and a disease on the economic body." (ibid.)¹⁵¹

Again and again, Erzberger emphasized social justice, which, even before the financial situation or economic aspects, legitimized first and foremost why the inheritance tax now had to be strengthened. Both with a view to justice, but also for the good of the economy, inequality was to be reduced through taxes on wealth and inheritance. In this sense, the fact that spouses and children were to be subject to inheritance tax was not only related to the fact that, at "about 4/5," the bulk of inheritance would go to this group, but also that – compared to the demands of the 1908/1909 financial reform – it was now "something self-evident and expected on all sides" (ibid., 1381).

¹⁵¹ „Ein guter Finanzminister ist der beste Sozialisierungsminister. Solche Sozialisierung tut uns bitter not. Schon vor dem Kriege war der Unterschied in Deutschland zwischen den Besitzenden und den Nichtbesitzenden zu groß und damit zur sozialen Ungerechtigkeit und zu einer Krankheit am Wirtschaftskörper geworden.“

In this context, the estate tax was to be understood in relation to other taxes on property; it was part of a new, equitable restructuring of the entire tax system. For it to be fair, it had to be progressive according to the wealth that was inherited; but the estate tax was also understood as a control. It was also important to include heirs' pre-existing wealth in the calculation of the tax rate, and the main part regarding the inheritance tax was also to be taxed at higher rates, but arguably to continue to take into account the degree of kinship and thus the family relationship. Since the "great tax sovereign of the future ... could only be the united German Reich," a large part of the revenue was to go to the Reich; the *Länder* were allocated 20 percent.

The ways in which Germans abroad were defined and the penalties were imposed made the political will for a strong inheritance tax clear: Wealthy persons could not have unceremoniously absconded abroad to avoid paying the tax (ErbStG 1919 §24(1)No.1a). This provision makes it clear that considerations were made about possible tax avoidance tactics and that decisions about them were made politically. The three years that a German would have to live abroad to avoid paying the tax was an arbitrary number, and the question of whether residence abroad is sufficient was also a political decision. This exception might as well not have been added and is not a necessity but a political issue. A twenty-fold increase in the inheritance tax amount or even imprisonment should also have ensured that heirs followed up on their tax obligations.

Within the National Assembly, most deputies were basically supportive of the plans, especially those who also understood the inheritance tax to have a "social purpose" above all, only mentioning the need for money "in the second place" (such as Raschig, DP, NV 1919e, 2652). But the Social Democrats and Independent Social Democrats would have liked to have seen it strengthened further. Emanuel Wurm, Socialist and Independent Social Democrat (*Unabhängige Sozialdemokratische Partei Deutschlands*, USPD) deputy, for example, was openly dissatisfied and skeptical of Erzberger and his tax reforms, including directly with regard to the inheritance tax:

"[I]n all these tax laws there is only talk of maintaining the capitalist economic order, there is only talk of how to wash the fur and not get it wet, how to cover the tax burdens by timidly approaching capital and income as well, but not cutting off its lifeline, so that it continues to retain the possibility of creating new profits for itself and of working anew as disastrously as it has worked so far." (Wurm, USPD, NV 1919c, 1447)¹⁵²

And so Wurm's verdict on the inheritance tax is harsh; although children and spouses are "finally" included, the inheritance tax as a whole is "quite pitiful" (ibid., 1444). Also interesting are the narratives of those who openly admitted that they had changed their minds and were now in favor of strengthening the inheritance tax after the end of World War I; for example, the rapporteur of

¹⁵² „[I]n diesen ganzen Steuergesetzen ist nur davon die Rede, dass die kapitalistische Wirtschaftsordnung aufrecht erhalten wird, ist nur davon die Rede, wie man den Pelz wäscht und ihn nicht nass macht, wie man die Steuerlasten deckt, indem man zaghaft auch an das Kapital und an das Einkommen herangeht, aber ihm ja nicht die Lebensader unterbindet, damit es weiter die Möglichkeit behält, sich neue Profite zu schaffen und von neuem so unheilstiftend zu wirken, wie es bisher gewirkt hat.“

the German People's Party, Dr. Becker from Hesse, who understood the reform as a "requirement of social ethics":

"The law touches the basic and cornerstone of our whole economic order and confronts us with the question whether the accumulation of wealth in relatively few hands and its inheritance from blood to blood should continue unrestricted. Both the financial needs of the public corporations after the disastrous outcome of the World War and economic necessities and, not least, urgent dictates of social ethics dictate that we answer this question in the negative." (Beckert, Hessen, NV, 1919e, 2649)¹⁵³

While the legislation was not sharp enough on one side, others had a hard time getting themselves to vote for it. At the end of the overall vote, Representative Irl from Upper Bavaria expressed:

"If we do not want to go down the path of inheritance tax, we would have to look for other ways. We were happy not to agree to these proposals or to this entire inheritance tax law. After all, we took a completely different stance in the past. But the plight of the Reich forces us to tread on this ground." (Irl, Oberbayern, NV 1919e, 2670)¹⁵⁴

Specifically, the analysis suggests that proponents of strengthening an estate tax drew on ten narratives overall that were at least moderate¹⁵⁵. Most of the narratives were macrosocial narratives, with the most frequently mentioned narrative overall being that of justice, that is, a values-based narrative.

Contra: "We do not make ourselves the pacesetter of communism"

Even the opponents of strengthening the tax law to the extent brought forward by Erzberger expressed that they no longer wanted to keep children and spouses out of the tax liability on inheritances and gifts. But, they said, there were limits that had been reached in the "capacity and vitality of German economic life" (Hampe, DNVP, NV 1919e, 2654). The planned inheritance tax would reach deeply into economic and family circumstances – too deeply, in their opinions. Moreover, in most cases of economic importance, the inheritance would be tied up in agricultural and industrial enterprises, so that the heirs would be encouraged to continue the service. If the planned inheritance taxes were now introduced, this service could no longer be provided. Moreover, the important virtue of thrift would be curbed, because it would not be worth saving if such

¹⁵³ „Das Gesetz berührt die Grund- und Eckpfeiler unserer ganzen Wirtschaftsordnung und stellt und vor die Frage, ob die Anhäufung von Vermögen in verhältnismäßig wenig Händen und seine Vererbung von Geschlecht zu Geschlecht unbeschränkt fort dauern soll. Sowohl die finanziellen Bedürfnisse der öffentlichen Körperschaften nach dem verheerenden Ausgang des Weltkrieges als auch wirtschaftliche Notwendigkeiten und nicht zuletzt dringende Gebote der sozialen Ethik schreiben uns die Verneinung dieser Frage vor.“

¹⁵⁴ „Wenn wir den Weg der Erbschaftsteuer nicht gehen wollen, so müssten wir andere Wege suchen. Gern haben wir diesen Anträgen und überhaupt diesem ganzen Erbschaftsteuergesetz nicht zugestimmt. Wir haben ja auch früher eine ganz andere Haltung eingenommen. Aber die Notlage des Reichs zwingt uns dazu, auf diesen Boden zu treten.“

¹⁵⁵ Moderate: 25 to 75 percent as measured by the most commonly used narrative, see legend at corresponding tables.

a high proportion was not bequeathed to one's own family, but rather to the treasury. Thus, an appeal by Hampe finally said: "Do not kill the exemplary German diligence and the exemplary German thriftiness at the same time" (ibid., 2655).

The government would have the power and possibility to expropriate property, but it would be impossible to "re-establish German economic life and the German Empire without the voluntary and permanent cooperation of the property and the circles which constitute the property" (Maretsch, (DN?), NV 1919e, 2656). And not only the economy, but also the families – more precisely the sense of family – would suffer if the caring work for one's own family could not be guaranteed beyond one's own death. In their speeches during the parliamentary debates, both the members of the German National Party (DN) and the German People's Party (DNVP) showed a certain understanding for the pending reforms, but for them the proposed legislation went much too far. The economy would be paralyzed, the sense of family would be weakened, the performance of testators and heirs would be attacked, thrift would be "killed," and if assets were taxed away, there would soon be no assets left to tax.

"That is why we reject the law in its present form, because we are not inclined to make ourselves the pacemaker of communism."

(Graf v. Pofadowsky-Wehner, DNVP, NV 1919e, 2670)¹⁵⁶

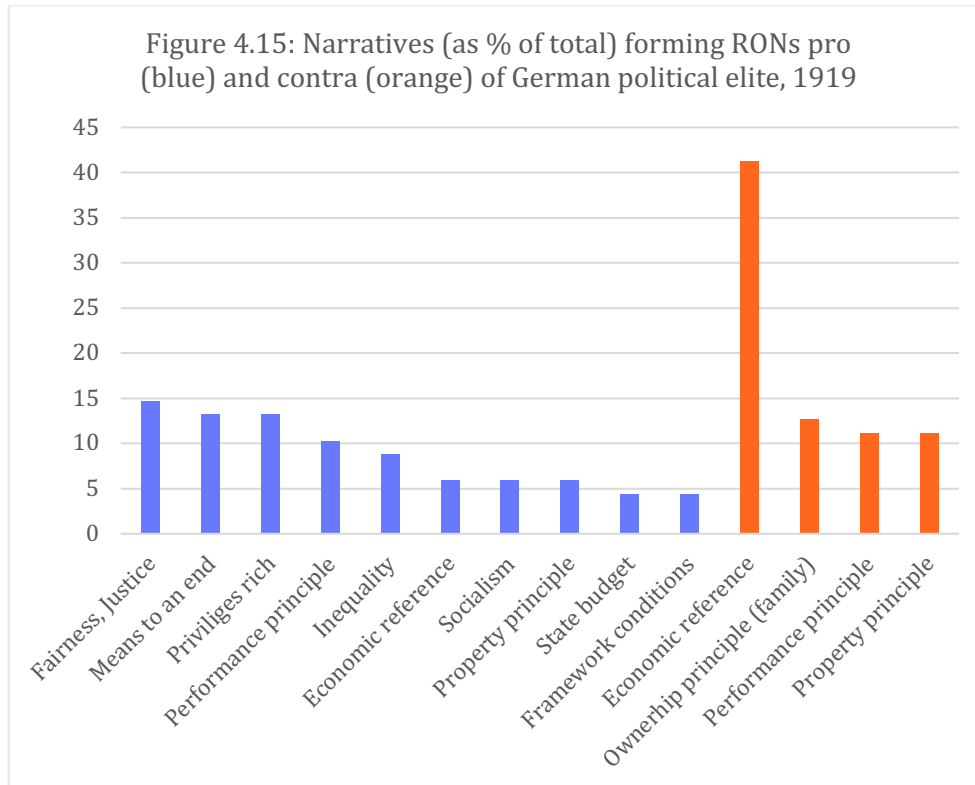
The *repertoire of narratives* (RON) used by opponents of Erzberger's inheritance tax reform consisted of four narratives in particular: By far the most frequently used were narratives related to the economy; through more than one-third of all narratives, it was emphasized that a higher inheritance tax would be harmful to the economy. In addition to this macrosocial narrative, there were only two others from the category of value-based narratives and one of property preservation that were frequently mentioned.

¹⁵⁶ „Deshalb lehnen wir das Gesetz in der jetzigen Form ab, weil wir nicht geneigt sind, uns zum Schrittmacher des Kommunismus zu machen.“

Table 4.6: RONs of the German political elite about the inheritance tax, 1919

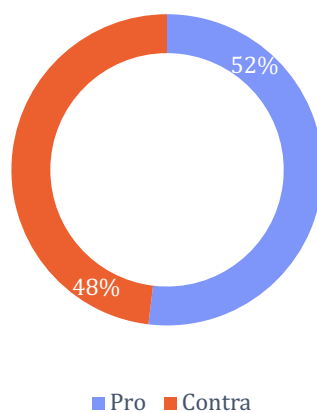
<i>German political elite</i>	1919	
	Pro	Contra
	GOVERNMENT+ SPD, USPD, Z, DD, Upper Bavaria	OPPOSITION DN, DNVP
<i>Value based</i>	23	16
Fairness, Justice	10	1
Principle of Equality	1	
Opportunity		
Principle of merit	7	7
Ownership Principle (Family)	2	8
Framework conditions	3	
<i>Macrosocial</i>	26	31
Means to an end	9	2
Democracy	1	
Inequality	6	
Home ownership		
Economic reference	4	23/26
- Jobs		3
Double taxation		
Socialism	4	2
Communism		1
Capitalism	2	
<i>Dissatisfaction and suspicions</i>	12	4
Dissatisfaction		
Philantropy		
State budget	3	1
Corruption		
(Privileged) rich	9	
(Privileged) business assets		3
<i>Envy and resentment</i>		3
Principle of justice		
Envy		
State grudged		3
<i>Property preservation</i>	7	10
Principle of equality		
Property principle	4	7
Types of income	1	2
Foreign dimension	2	1

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	10	26	26	31
Strong	8-9	20-25	20-15	24-30
Moderate	3-7	7-19	7-19	8-23
Weak	1-2	1-6	1-6	1-7



Note: According to the definition of RON, strongest, strong, and moderate narratives only.

Figure 4.16: Share of pro and contra narratives (%) of German political elite, 1919



Narrative analysis 1922 to 1925

Contra: Private and economic damages of oppressive inheritance taxes

The inheritance tax was to be weakened – that much was certain for the bourgeois minority government (DDP, Z, DVP (*Deutsche Volkspartei*)) after the Weimar government (SPD, Z, DDP) was voted out of office. Already in the first years after Erzberger's inheritance tax reform, several motions were filed for a comprehensive change in the law (Frank 1969, 48). The justifications made clear which narratives were used to legitimize the demands that were eventually made: on July 20, 1922, the new version of the law on inheritance and gift tax was enacted (RGBl 1922).

In order to show the comprehensive narratives, I would like to show the motion of Julius Curtius and Johann Beckert, because it exemplifies how comprehensive the narratives were and how well the repertoire can already be read from a justification. The motion by Curtius and Becker (DVP) was justified primarily on the grounds of legislative errors and deficiencies, and that the inheritance tax was unsystematic and lacked coherence (Curtius and Becker, DVP, RT 1922a, 4905-4907). The time, labor, and expense of the tax offices in determining assets would have been disproportionately high (Curtius and Becker, DVP, RT 1922a, 4907), and overall, the 1919 inheritance and gift taxes constituted "intolerably harsh laws" that would shatter morale (*ibid.*).

In this context, the inheritance and gift taxes were not only harsh, but they were also in part superfluous, because the estate tax had originally been explicitly intended as a final wealth tax. Since a wealth tax had since been introduced, it was thus dispensable (Curtius and Becker, DVP, RT 1922a, 4906). Also in 1925, the demand of the Social Democratic and Communist parties for the reintroduction of the estate tax was rejected by State Secretary Johannes Popitz with the narrative that it was unnecessary due to the wealth tax (Frank 1969, 49).

Another important narrative for weakening the inheritance tax was the onset of inflation: reform was also warranted because the effect of monetary devaluation was to be mitigated immediately. As in 1919, the focus of many narratives was economic. The explanatory memorandum to the 1922 motion then stated:

"The private and national economic damage of oppressive inheritance taxes, especially for individual commercial enterprises and for agriculture, furthermore the destruction of the economic basis of countless families, finally the suppression of the savings drive, are dangers that are increased enormously by the economic development that has occurred in the meantime." (Curtius and Becker, DVP, RT 1922a, 4904-4905)¹⁵⁷

¹⁵⁷ „Die privat- und volkswirtschaftlichen Schäden drückender Erbschaftsteuern, insbesondere für gewerbliche Einzelunternehmungen und für die Landwirtschaft, ferner die Zerstörung der wirtschaftlichen Grundlage zahlloser Familien, endlich die Unterbindung des Spartriebs sind Gefahren, die durch die inzwischen eingetretene wirtschaftliche Entwicklung ins Ungeheure gesteigert werden.“

The narratives that had already been invoked in 1919 came back to the table. The economic narratives showed a shift: the emphasis within these narratives was expanded more in the direction of small and medium-sized enterprises. In this way, the harsh criticisms made in 1919, particularly toward the rich, were softened. For the inheritance tax, according to the Contra group, was not just about the capital of the wealthy, but affected the empire as a whole: "not only for the large but also for the medium-sized businesses, not only for the wealthy but also for the middle class, not only for the private but also for the national economy" the inheritance tax had become "intolerable" (ibid., 4908).

The family principle also remained high on the agenda and was mentioned many times. While in 1919 even conservative parties were still talking about it being essential to include spousal and child inheritances in tax class I, the next of kin were now to be exempted from inheritance tax again. The earned wealth was again framed as having been built up by the whole family, both in the 1922 proposal and a few years later in 1925, when the inheritance tax was again further reduced: "[T]here should be no taxes levied where the wife and child in their own business with their own hands in their own activity in trade, handicrafts and agriculture contributed to the acquisition of the later wealth" (Horlacher, BV, RT 1925, 3800).

Pro: The burden of new capital formation

While the Contra group wanted to relieve the burden on the economy and strengthen family and thrift through lowered inheritance taxes, the SPD was opposed to the government, saying that it was primarily seeking "to break out the poisonous teeth of the inheritance tax law" (Saupe, SPD, RT 1925, 3794). As in 1919, not only financial need, "but also the most elementary reasons of justice were put forward for the reintroduction of full taxation of spousal inheritance" (Seydewitz, SPD, RT 1925, 3800). In contrast to the government, the SPD was of the opinion that the estate tax was still indispensable as a control tax.

In contrast to 1919 and to Erzberger, the emphasis was a shade less on justice, and somewhat more frequently still the privileges of the wealthy were mentioned. Just between the 1922 inheritance tax reform and the 1925 plan to weaken the inheritance tax somewhat further, one of Germany's richest industrialists and politicians, Hugo Stinnes (DVP), died on April 10, 1924. Narratively, the SPD intertwined two strands with this incident, one being the lack of justice and the other being privileges for the richest. According to the account of SPD deputy Max Seydewitz, a "storm of indignation went through all of Germany" when Stinnes died and "not a penny" of inheritance tax was due:

"According to legal common sense, 'everything is in order' in the case of the Stinnes inheritance, all paragraphs have been observed; but according to common sense, according to

the people's sense of justice, we are dealing here with a fraud seriously damaging the state and the whole of the people." (Seydewitz, SPD, RT 1925, 3801)¹⁵⁸

This case, so Seydewitz, showed that the deputies from the Center and the German People's Party lacked tax morals (Seydewitz, SPD, RT 1925, 3802). But while Seydewitz critiqued the tax morals of the Center and the DVP, Wilhelm Koenen of the KPD reminded his SPD colleague that the abolition of the taxation of spouses in 1922 had been carried out with the votes of the SPD:

"It is really the height of demagogy when one makes an accusation and yet must oneself share the responsibility for the creation of the law which has brought about the present scandalous conditions. ... The guilt of Social Democracy [has] been established historically without doubt." (Koenen, KPD, RT 1925, 3803)¹⁵⁹

The indignation of the KPD over the reforms of 1922 and 1925 was presented by Koenen in all clarity and sharpness. In this context, the term robbery is still the friendlier choice of words:

"You already think you have your robbery in the matter. You have the majority of votes, and with these paltry few votes majority you believe, without saying a word in justification of your laws, that you can rape the whole people." (Räbel, KPD, RT 1925, 3798)¹⁶⁰

What is particularly interesting is the narrative according to which wealth and wealth concentration are not set as familial, but as a burden. Not only that: new capital formation is a burden and thus also bad for the economy – an imposition that Germany cannot afford. The KPD thus painted a diametrically different picture of the understanding of new capital formation; not only was it not familial, but it was also harmful:

"The government wants the capital gains tax not to come, the government wants the capital gains tax to be mitigated, the government wants the estate tax not to come. Why? Because it wants capital regeneration ... because it believes that with capital regeneration it could rebuild capitalism. But next to the pre-war burden and next to the post-war burden, there can be no thought of the [third burden of original accumulation, the] burden of new capital formation." (Koenen, KPD, RT 1925, 3805)¹⁶¹

¹⁵⁸ „Nach dem juristischen Menschenverstand ist bei der Stinnes-Erbschaft ‘alles in Ordnung’, sind alle Paragraphen beachtet worden; aber nach dem gesunden Menschenverstand, nach dem Rechtsempfinden des Volkes, haben wir es hier mit einem den Staat und das Volksganze schwer schädigenden Betrug zu tun.“

¹⁵⁹ „Es ist wirklich der Höhepunkt der Demagogie, wenn man eine Anklage erhebt und selbst die Schaffung des Gesetzes, das die jetzigen skandalösen Zustände verschuldet hat, doch mitverantworten muss. ... Die Schuld der Sozialdemokratie [ist] historisch einwandfrei festgestellt.“

¹⁶⁰ „Sie glauben bereits ihren Raub in der Sache zu haben. Sie haben die Stimmenmehrheit, und mit diesen lumpigen einigen Stimmen Mehrheit glauben Sie, ohne dass Sie ein Wort zur Begründung ihrer Gesetze sagen, das ganze Volk vergewaltigen zu können.“

¹⁶¹ „Die Regierung will, dass die Vermögenszuwachssteuer nicht kommt, die Regierung will, dass die Kapitalertragssteuer gemildert wird, die Regierung will, dass die Nachlasssteuer nicht kommt. Warum? Weil sie die Kapitalneubildung will, ... weil sie glaubt, dass sie mit der Kapitalneubildung den Kapitalismus wieder aufbauen könnte. Aber neben der Vorkriegslast und neben der Nachkriegslast, kann nicht noch an die [dritte Last der ursprünglichen Akkumulation, der] Last der Kapitalneubildung, gedacht werden.“

The low tax revenues (only 25 million marks out of a total of 11 billion marks in tax revenues, i.e. less than 0.23 percent) were an "education in tax evasion" (ibid., 3806). The burden was not in the amount of taxes on the economy, but in the new formation of capital as such. And while the proletariat experienced tremendous brutality, the capitalist class could be sure of the warmest sympathy (ibid.). The inequality appeared very clearly in the form of dealing with the different classes.

In the politically more powerful contra group, there were only three narratives that carried weight: Framework conditions were mentioned most frequently, as well as value-based (mostly the family ownership principle). Even more frequently than family narratives, macro-social narratives with economic references were cited. The repertoire of the pro group was not as concentrated. While the three main narratives of the Contra group accounted for nearly two-thirds of all narratives, the three most common narratives of the Pro group accounted for less than half. Overall, there were seven narratives that were moderate or stronger in frequency. Values-based narratives were the most common, followed by those expressing dissatisfaction or distrust, macro-social, and property preservation narratives.

Table 4.7: RONs of the German political elite about the inheritance tax, 1922-1925

<i>German political elite</i>	<i>1922-1925</i>	
	Pro	Contra
	OPPOSITION KP, 1925: SPD	GOVERNMENT + DN, DVP 1922: SPD
<i>Value based</i>	23	27
Fairness, Justice	10	2
Principle of Equality	1	1
Opportunity		
Peinciple of merit	2	2
Ownership Principle (Family)	2	9
Framework conditions	8	13
<i>Macrosocial</i>	10	15
Means to an end	4	1
Democracy		
Inequality	4	
Home ownership		1
Economic reference		12
- Jobs		
Double taxation		
Socialism		
Communism		1
Capitalism	2	
<i>Dissatisfaction and suspicions</i>	21	3
Dissatisfaction		
Philantropy	1	
State budget	9	1
Corruption		
(Privileged) rich	11	
(Privileged) business assets		2
<i>Envy and resentment</i>		1
Principle of justice		
Envy		
State grudged		1
<i>Property preservation</i>	8	2
Principle of equality		
Property principle	2	
Types of income		
Foreign dimension	6	2

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	11	23	13	27
Strong	9-10	18-22	10-12	21-26
Moderate	3-8	6-17	4-9	7-20
Weak	1-2	1-5	1-3	1-6

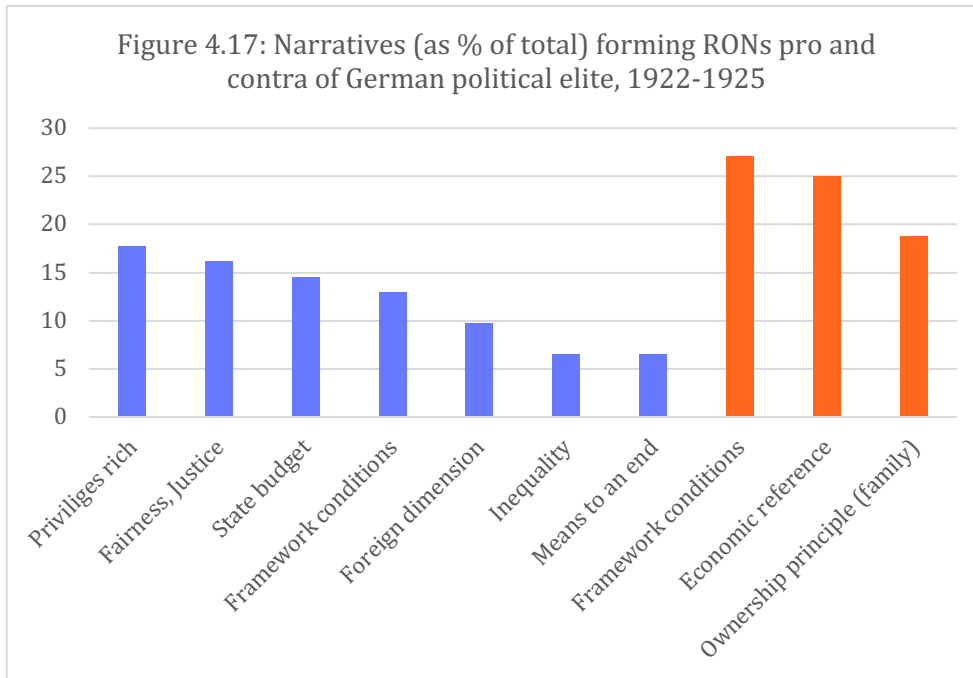
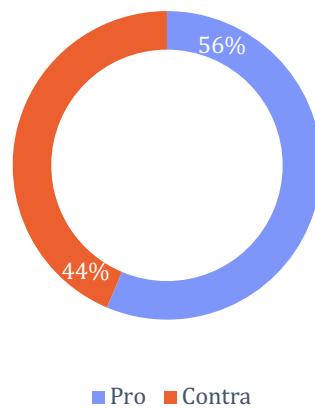


Figure 4.18: Share of pro and contra narratives as % of total of German political elite, 1922-1925



The Third Reich is not discussed in the context of this thesis for two reasons. First, ideology, paradigms, and fiscal policy represent an absolute rupture that, to do it justice, is beyond the scope of this historical analysis. Second, of interest in this thesis are the democratic variations that are conducive to answering the research questions. It is therefore a deliberate decision to merely point out at this point that the period from Adolf Hitler's seizure of power in 1933 to the end of World War II, while of course playing an important chapter in Germany's history, is not given further attention here for the sake of prioritization.¹⁶²

4.2.5 Ideology After the Second World War: And the "Winner" is the "Small Capitalist"

Four years after the end of the Second World War, the Federal Republic of Germany and the German Democratic Republic emerged in 1949 from the four occupation zones, each with its own tax policy based on different ideologies and paradigms. "From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent," Winston Churchill said on March 5, 1946, describing not only a figurative demarcation, solidified from 1961 by a wall, but also an ideological demarcation with capitalism on the one side and socialism on the other. Even before the Federal Republic of Germany (FRG, BRD in German) and the German Democratic Republic (GDR, DDR) approved their respective Basic Law (05/23/1949) and a constitution (10/07/1949), Churchill had already drawn a "hard line": for capitalist countries, the Soviet empire represented a "growing challenge and peril to Christian civilization" (Churchill 1946).¹⁶³

"Churchill saw Stalin as by far the lesser of two evils compared to Hitler, while for Stalin a common interest in the defeat of fascism prevailed over his hostility to British capitalism and imperialism." (Roberts, in Leonard 2020, n.p.)

The ideological dispute between socialism and capitalism makes a uniform economic order impossible, as will be shown in the theory section. A paradigm grows out of an ideology and was thus based, for the FRG and the GDR, on incompatible, sometimes diametrically opposed norms, values, interests, and approaches. According to Reiner Sahn, the constitutional tax principles of generality, uniformity, and efficiency familiar from the Weimar Constitution, on the other hand, did not apply in the GDR:

"It followed from the understanding of the state that a socialist government could not base its tax policy on the outlived principles of a bourgeois-capitalist class society; for this

¹⁶² For those interested in the rupture in tax justice under National Socialism - starting with Hitler exempting himself from tax liability by decree of Dec. 19, 1934, and ending with tax discrimination against Jews and other minorities (Sahn 2018, 218, 219), the interesting reading of Sahn 2019, 201-220 is recommended.

¹⁶³ Churchill spoke in concrete of communist parties or fifth columns, see Churchill 1946.

would hinder the overcoming of the private economic order and sabotage the desired construction of a socialist economic system." (Sahm 2019, 222)¹⁶⁴

Private assets in the GDR were much smaller than in the Federal Republic, inheritances were correspondingly significantly lower. "Inheritances around 40,000 marks were already considered significant," as specialist lawyer Constanze Trilsch says (Trilsch 2015). There were only two tax brackets with rates between 4 and 80 percent, and the allowances were very low (between 1,000 marks and 20,000 marks). Thus, inheritance taxes were comparatively high and inheritances were often disclaimed (Trilsch 2015; Frank 1969, 54). The GDR's inheritance law expired on October 3, 1990.

As stated in the First All-German Financial Plan of the Federation 1990 to 1994, the unification of Germany also brought about the "replacement of the inefficient economic and social system of the former GDR by the social market economy" (*Deutscher Bundestag* (BT) 1990, 3). The "necessary structural adjustments" (ibid.) were aligned with the financial policies of the FRG. The GDR, "ruined after 45 years of a socialist command economy," had to be transformed, but this task was made easier by the "excellent overall economic situation in the former Federal Republic." There was no interest in bringing together the best of two worlds; the inefficient vs. excellent division left no room for compromise.

The Cold War dragged on for decades; yet while it was all quiet on the Western front, the fall of the Berlin Wall meant a turbulent capitalist ride for the former GDR and the Soviet Union as a whole. The triumph of capitalism even prompted Francis Fukuyama to proclaim the end of history (1989), while Frederic Jameson went so far as to say "it is easier to imagine the end of the world than it is to imagine the end of capitalism" (Jameson 2003). As much as entire countries and societies were devastated during World War II, in retrospect it can be said that the events acted as a catalyst for the solidification of capitalism.

In order to understand the development of today's inheritance tax law, it is therefore necessary - as harsh as this may seem from today's perspective - to trace the development of capitalist logic, paradigms, and corresponding narratives in the FRG.¹⁶⁵ With regard to the analysis of contemporary narratives on inheritance tax, this means in logical consequence that the contextual analysis is devoted to the developments of paradigms, the legal texts, and the narratives in the FRG and thus in discussion embedded in the capitalist ideology. The latter was elementary: the economic system was to be above all capitalist. This would be achieved by turning proletarians into owners, specifically small capitalists (Ptak 2008, 198). In this way, property-preserving paradigms were

¹⁶⁴ „Aus dem Staatsverständnis ergab sich, dass eine sozialistische Regierung ihre Steuerpolitik nicht nach den überlebten Grundsätzen einer bürgerliche-kapitalistischen Klassengesellschaft ausrichten könne; denn dies behindere die Überwindung der privatwirtschaftlichen Wirtschaftsordnung und sabotiere den angestrebten Aufbau eines sozialistischen Wirtschaftssystems.“

¹⁶⁵ I show the consequences of the different systems in the FRG and GDR on inheritances and the unequal distribution of inheritances and wealth in the chapter on the present situation in Germany, see ch. 4.2.16.

consolidated, according to the thoughts of both ordoliberal and neoliberal thinkers in particular (more on this below).

While the classification of ideology for the period after World War II until the 1990s is consistently referred to in the relevant literature as capitalism, which took on different forms (Esping-Andersen 1998; Merkel 2014; Krahe 2022 among others), there is currently a dispute across disciplines in the social sciences and humanities. The question is whether neoliberalism belongs to capitalism or is rather a testimony of a qualitatively new form of capitalism. If neoliberalism is understood as a paradigm of a new form of capitalism, only neoliberalism as paradigm and the new form of capitalism (not capitalism per se) becomes problematic in the sense of current contestations of liberal democracies, if not incompatible with democracy. If, on the contrary, neoliberalism is understood as the ongoing development of capitalism, then more often not only neoliberalism (as paradigm) but capitalism as ideology is criticized as being incompatible with democracy.

Some scholars argue that neoliberalism is an expression of turbo (Luttwak 1999) or finance capitalism (Merkel 2014, 1) and that it is neoliberalism, yet not capitalism per se, which provokes problems with our social contract in form of democracy. Katharina Pistor looks at the question from the perspective of the "code of capital":

"For democracy to prevail in capitalist systems, polities must regain control over law... At the very least, they must roll back the many legal privileges that capital has come to enjoy over and above the modules of the code of capital." (Pistor 2019, 224)

What these approaches have in common is that they consider an agreement between capitalism and democracy to be quite possible – just not under the required rules of neoliberalism. Perhaps the term reformists would be a possible approximation of a name for this group. Reforms within the capitalist system are necessary and possible to face the pressing problems of our times, such as high levels of wealth inequality:

"One step at a time. If done with the same care and stubbornness with which capital has been coded over the centuries, capital's and its holders' stronghold over our laws may be weakened." (Pistor 2019, 233)

Other scholars in turn see neoliberalism as a logical continuation of the capitalist system, which is now merely breaking through in countries of the Global North and making the population feel the peculiarities of this ideology. Some proponents of this viewpoint include Nancy Fraser (2023), Eva von Redecker (2020), and Jason Hickel (2020), as well as perhaps Thomas Piketty in his new oeuvre (Piketty 2020), in which he speaks of a neo-propiertarian ideology and hypercapitalist societies (Piketty 2020, ch. 13) and how to move towards a participatory socialism (ibid., ch. 17). This strand of literature defines capitalism rather as an ideology that can only persist through a perpetual exploitation of people and nature; looking beyond national borders, or even critically

questioning the inherent compulsion to grow, leads to the conclusion that democracy within capitalism is increasingly eroding. Above all, (democratic) socialists and degrowth theorists are to be found in this strand of literature. In their view, what is needed is not small steps, but the courage to think big:

"Only by thinking big do we stand a chance of defeating cannibal capitalism's relentless drive to eat us alive." (Fraser 2023, 15)

These debates are by no means new. Indeed, parallels can be drawn with the internal conflict within social or socialist parties, as Oliver Nachtwey (2009) traces it to around 1900 between Rosa Luxemburg and Eduard Bernstein, citing Luxemburg in summary:

"While some [want] to bring about socialist distribution by eliminating capitalist modes of production, others [want] to fight capitalist distribution and hope in this way gradually to bring about the socialist mode of production." (Luxemburg 1899, 91, cited after Nachtwey 2009, 73)¹⁶⁶

Most recently, this dispute was fought out within the SPD, for example, and buried for the time being with the *Godesberg Program* in 1959 (more on this on page 207); now this dispute seems to be reemerging. But enough, I run the risk of digressing and simplifying complex and intertwined concepts here. It is important for me to make clear at this point that I am not merely name-dropping current literature on (wealth) inequality. The reason why I cite these many, bright minds – mind you, in both strands – is that I consider it important to make my choice for the structure of my dissertation transparent and intersubjectively comprehensible. As a researcher, I place myself in the second strand with regard to the question of whether democracy and capitalism are compatible and whether neoliberalism can be located outside of capitalism: I understand the logic of capitalism to be diametrically opposed to and incompatible with democracy and therefore do not understand neoliberalism as a paradigm of a new ideology. For this reason, as no further battles of ideologies occurred, I will now turn to discussing the changing paradigms and narratives.

4.2.6 Paradigm in the 1950s: Ordoliberalism – Everyone is the Baker of His Own Fortune

The constituent paradigm of the Federal Republic was so-called ordoliberalism. Ordoliberalism had its origins as early as the 1920s, when new approaches were sought as a reaction to inflation and the Great Depression (Manow 2001, 183). There was no such thing as one form of

¹⁶⁶ „Während die einen eine sozialistische Verteilung durch die Beseitigung der kapitalistischen Produktionsweisen herbeiführen [wollen, wollen die anderen] die kapitalistische Verteilung bekämpfen und hoff[en] auf diesem Wege allmählich die sozialistische Produktionsweise herbeizuführen.“

ordoliberalism.¹⁶⁷ In terms of the history of ideas, it can be distinguished from the approaches closest to it in two main directions: old-style liberalism and neoliberalism, as it was shaped primarily in the US and in Austria.

"Our neoliberalism [according to one of the best-known representatives of ordoliberalism, Alexander Rüstow, differs from] Manchesterian laissez faire, that paleoliberalism which has brought all the problems and difficulties of capitalism down upon us ... by the fact that we do not first expel the state from the sphere of the economy, only to bring it back in all the more urgently to the back doors of interventionism, subsidiarism, protectionism, but by assigning to a strong and independent state from the outset the fundamental task of policing the market, of safeguarding economic freedom and its competition for performance." (Rüstow 1954, 221)¹⁶⁸

In contrast to laissez faire liberalism, the state is unmistakably assigned an active and significant role; if the state were to stay out of it, it would have to re-engage in the economic process "through the back door". The balancing of the role of the state is something that the ordoliberals had in common with the neoliberals in their formative phase. Both in terms of the history of ideas with regard to financial and economic policy, as well as in terms of personnel, there were many inter-relationships between the two. This was evident early on, for example at the first meeting of the neoliberal think tank Mont Pèlerin Society (MPS) in April 1947, where Walter Eucken (1891-1950) was the only German economist in the group of economists (Kolev et al. 2014, 1). While August von Hayek became the first president of the MPS, Eucken became one of the three vice presidents and was thus considered a particularly influential intellectual, an "advisor" and "gate-keeper" in the early days of the MPS (ibid., 5, 7).

As Stefan Kolev et al. (2014) show, Eucken was an important figure in the development and debate of the neoliberal school of thought; August von Hayek even called him "probably the most serious thinker in the realm of social philosophy produced in Germany in the last hundred years" (Hayek, 1983/1992, 189, cited after Kolev et al. 2014, 2). Internationally, even after his sudden death in March 1950, Eucken was referred to as the "teacher of Ludwig Erhard." Eucken had helped Erhard with the currency reform and laid the theoretical foundation for the German economic miracle and the social market economy (Friedman and Friedman 1998, 160).

¹⁶⁷ One can speak of (at least) three currents: the Freiburg School, which rejected sociopolitical cushioning and advocated tax relief for entrepreneurs on the one hand and higher taxes for the lower and middle classes on the other; the social-liberal group around Alexander Rüstow and Wilhelm Röpke, who, out of their criticism of feudalism and plutocracy, partly advocated harsh inheritance taxation; and the politically influential circle around Ludwig Erhard and Müller-Armack, who coined the term social market economy and combined its social-religious character with performance competition (Buggeln 2022, 605-607).

¹⁶⁸ „Unser Neoliberalismus [so einer der bekanntesten Vertreter des Ordoliberalismus, Alexander Rüstow, unterscheidet sich vom] manchesterlichen laissez faire, jenes Paläoliberalismus, der uns alle Probleme und Schwierigkeiten des Kapitalismus auf den Hals gebracht hat ... dadurch, dass wir den Staat nicht erst aus dem Bereich der Wirtschaft hinausweisen, um ihn dann zu den Hintertüren des Interventionismus, Subventionismus, Protektionismus desto dringender wieder hereinzuholen, sondern dass wir einen starken und unabhängigen Staat von Anfang an die grundlegende Aufgabe der Marktpolizei, der Sicherung der Wirtschaftsfreiheit und ihrer Leistungskonkurrenz, zuweisen.“

However, even though there were significant similarities and much mutual respect, there were also major differences with American neoliberals.¹⁶⁹ The most important distinction for this dissertation is in their understanding of inequality. US neoliberals were able to legitimize inequality as a "necessary byproduct of capitalism" (Thompson 2007, 145). According to August von Hayek, there were two basic conditions for progressive societies: there needed to be more consumption and a desire for increased consumption, which would at the same time increase the industriousness and performance of the poorer; and along with this, inequality, which was natural anyway, because there would always have to be those who lead – such as Hayek himself, who came from an aristocratic family – "and the rest must follow" (Hayek 1960, 45, cited after Lepenies 2022, 188). But market mechanisms would give equality of opportunity, social mobility could grow, and thus classes would eventually be overcome (Linartas 2018, 3).

In contrast, Eucken emphasized that classless societies had never existed and could not exist (Eucken 1952, 188). Notwithstanding this, inequality was not given a positive connotation, but was even used to justify why there was a need to turn away from socialism. After all, the "socialist-communist attack against our conventional capitalist market economy" had been "waged under the banner of social justice" and had promised to alleviate social inequality and injustice. But these promises had been broken, and inequality and injustice had been taken "to extremes" (Rüstow 1954, 219).

According to Eucken, "social security and justice ... are the great concerns of the time" (Eucken 1952, 1). But these would be prevented above all by one group of actors: powerful economic actors. It was precisely in this view of powerful entrepreneurs, business associations, and their interests that there was an enormous difference between the neoliberals and the ordoliberals. While for the Chicago School "politics and power" did not matter (Schnyder and Siems 2013, 22), for the German ordoliberals it was important to break up and stop monopoly power by means of political intervention at all costs in order to prevent a return to *laissez faire* (Kolev et al. 2014, 18).¹⁷⁰ Moreover, "[j]ust monopoly power ... would freeze economic progress" (Erhard 1957, 174).

More fundamentally, powerful entrepreneurs would lead to the abolition of the capitalist system itself if their behavior would not be contained:

"Unfortunately, there are entrepreneurs and business associations today who, unwarned by all the experiences of the past, would prefer to return to the paleo-liberal *laissez faire*, to a state that first of all lets them do as they please without restriction and without control, but then is immediately at their disposal as soon as they think they need help somewhere. Privatization of all kinds of profits with socialization of losses – this could, of

¹⁶⁹ Schnyder and Siems explain the difference with the spatio-temporal setting: "while the task of building a strong and functioning state on the ruins of the Third Reich prevented the German ordoliberals from adopting anti-state views, the US neoliberals were certainly encouraged by the public debates during the 1950s to increasingly see collectivism and the state - and not the private power - as the main enemy of a liberal society" (Schnyder and Siems 2013, 13).

¹⁷⁰ Attitudes toward the economic elite varied among German ordoliberals; some changed them within a few years (such as Franz Böhm, see Ptak 2004, 185), while others maintained the critical position (such as Rüstow in 1954).

course, appear to be a kind of entrepreneur's paradise from a very short-sighted point of view. A pseudo-paradise, into which one enters only through a fall from grace, only to be driven out of it again all too soon by the fiery sword of socialization."

(Rüstow 1954, 221)¹⁷¹

For this reason, ordoliberals advocated rigorous competition law and, whenever necessary, consistent state intervention: "[M]arket concentration was seen as the greater evil than limited state intervention" (Schnyder and Siems 2013, 6). Only by limiting concentrated economic power could an economic freedom be formed in which performance and competition formed the foundation for social justice. "There could be no talk of social justice, however," Rüstow argued, if "everyone involved were granted starting justice and starting equality, equality of opportunity" (Rüstow 1954, 219). Rüstow was known within the group of ordoliberals for advocating a very high inheritance tax on the basis of these considerations: Carl von Zimmerer reported a meeting with Rüstow at which the latter wanted to "abolish the income tax but increase the inheritance tax to 100 percent" (Zimmerer 1987, *Bundestags Pressedienst* (BT-P)¹⁷²).

Education had a special role to play in the aspired meritocracy: "Our refugees from the East know a thing or two about how much more important and how much safer education and ability are than property and wealth," because within meritocracies "everyone is the architect of his own fortune" (Rüstow 1954, 219). In addition to competition for performance and the logic of competition in an active state, private property was another factor that was elementary for ordoliberals and which made freedom and democracy possible in the first place. Ralf Ptak summarized the function and significance of private property in his treatise *From Ordoliberalism to the Social Market Economy*:

"The proletariat was to become a 'small capitalist' who, through his subjective entanglement in the mechanisms of the market economy, would arrive at an unconsciously voluntary incorporation into the capitalist economic and social order. '*We turn the proletarians into owners*', was Röpke's propaganda formula ... Thus property policy became a strategic element of the postwar ordoliberal program, intended to consolidate the integration, or at least the immobilization, of the labor movement." (Ptak 2004, 198)¹⁷³

¹⁷¹ „Leider gibt es heute Unternehmer und Unternehmerverbände, die, ungewarnt durch alle Erfahrungen der Vergangenheit, am liebsten wieder zu dem paläoliberalen laissez faire zurückkehren würden, zu einem Staat, der sie zunächst einmal uneingeschränkt und unkontrolliert nach ihrem Belieben schalten und walten lässt, um dann aber sofort zu ihrer Verfügung zu stehen, sobald sie irgendwo Hilfe zu nötig haben glauben. Privatisierung jeder Art von Gewinnen bei Sozialisierung der Verluste – das könnte freilich in sehr kurzsichtiger Betrachtung als eine Art von Unternehmerparadies erscheinen. Ein Pseudoparadies, in das man erst durch einen Sündenfall hineingelangt, um nur allzubald durch das feurige Schwert der Sozialisierung wieder daraus vertrieben zu werden.“

¹⁷² As an employee in the *Bundestag* from 2018-2021, I had the opportunity to work in the *Bundestag* press archive. There you can find newspaper clippings sorted by topic with the source and date, but without page number. Therefore, sources from the *Bundestags* Press Service, abbreviated BT-P, are without page. I have copies of all the sources cited; if interested, I am happy to show and share those.

¹⁷³ „Aus dem Proletariat sollte ein 'Kleinkapitalist' werden, der durch seine subjektive Verstrickung in die Mechanismen der Marktwirtschaft zu einer unbewusst-freiwilligen Einordnung in die kapitalistische Wirtschafts- und Sozialordnung gelangt. '*Wir machen die Proletarier zu Eigentümern*', lautete die Propagandaformel von Röpke... Damit wurde die Eigentumspolitik zu einem strategischen Element des ordoliberalen Nachkriegsprogramms, mit der die Integration oder zumindest die Ruhigstellung der Arbeiterbewegung gefestigt werden sollte.“

The general view of tax policy can also be derived from this understanding. It was necessary to coordinate capital formation, the tax system, and the economic system, as Günter Schmolders (according to Buggeln the most important ordoliberal financial scientist, Buggeln 2022, 609) presented in his essay on the *Necessity of Organic Tax Reform* (1953). Schmolders spoke of the "painfully instructive experiment" of recent decades in which high and progressive taxes were levied without any attention being paid to reconciling the tax system and the economic system (Schmolders 1953, 22). According to Schmolders, a "healthy and thrifty financial management of the state" should be restored and "excessive tax rates" reduced (ibid., 26, 87).

Although "finally the resentment between 'poor' and 'rich'" was to be overcome, the "most promising means of achieving and securing any prosperity ... was competition" (Erhard 1957, 7, 8). While under Matthias Erzberger the order of the day was based on a social and fair tax policy also in the sense of redistribution (see 187), Ludwig Erhard – first Minister of Economics from 1949 to 1963, then Chancellor until 1966 – understood economic progress as the guarantor of prosperity for all. And this, according to Erhard, could only exist if there was a "reduction in the tax burden" (ibid., 13)¹⁷⁴. In *Prosperity for All (Wohlstand für Alle, 1957)*, Erhard – who, by the way, was also a member of the Mont Pèlerin Society (Buggeln 2022, 601) – outlined his economic foundations and concepts for the economic and financial policy of the Federal Republic, which was to be reshaped. In addition to monetary stability, without which a social market economy would not be possible (ibid., 16), the fundamental orientation in matters of taxes was primarily that they should be kept low. Thus, Erhard described that it was

"incomparably more sensible to direct all the *energies available* to an economy *toward increasing the yield of the economy* than to *wear oneself down in struggles over the distribution of the yield* ... It is much easier to grant each individual a larger piece from an ever larger cake than to want to draw a profit from a dispute over the distribution of a small cake." (Erhard 1957, 10, italics i.o.)¹⁷⁵

The quasi-confiscatory income tax rates imposed by the Allied victorious powers of up to 95 percent and high inheritance taxes, even for close relatives, of up to 60 percent must have been a thorn in the side of Ludwig Erhard, then Director of Economics for the United Economic Area (1948-1949). In his rhetoric about taxes, Erhard was in any case very firm: He spoke of redistribution as a form of attrition (ibid. 10) and of taxes as an oppressive problem (ibid. 13), especially because taxes reduced the consumer's purchasing power and thus restricted the citizen – or rather the consumer – in his freedom. Eucken had already spoken of the interdependence of the

¹⁷⁴ Although "substantial relief" would initially be unrealistic given the many financial needs.

¹⁷⁵ „ungleich sinnvoller ist, alle einer Volkswirtschaft zur Verfügung stehenden *Energien auf die Mehrung des Ertrages der Volkswirtschaft* zu richten als sich *in Kämpfen um die Distribution des Ertrages zu zermürben* ... Es ist sehr viel leichter, jedem einzelnen aus einem immer größer werdenden Kuchen ein größeres Stück zu gewähren als einen Gewinn aus einer Auseinandersetzung um die Verteilung eines kleinen Kuchens ziehen zu wollen.“

economic and political orders with regard to freedom.¹⁷⁶ Erhard took up the idea of the interdependence of the economy and politics and extended it to include consumption:

"Here, first and foremost, the freedom of every citizen to consume, to shape his or her life in such a way as corresponds to the personal wishes and ideas of the individual within the framework of the financial availabilities is thought of. This basic democratic right of freedom of consumption must find its logical complement in the freedom of the entrepreneur ... Freedom of consumption and freedom of economic activity must be felt in the consciousness of every citizen as inviolable basic rights." (Erhard 1957, 14)¹⁷⁷

As Philipp Lepenies pointedly puts it: "Consumption became the first civic duty. Freedom became the undisturbed choice of consumption, and democracy became a *democracy of the consumer*" (Lepenies 2022, 22-23, italics i.o.). This put Erhard in line with Ludwig von Mises, who already in 1922 spoke of a "consumer democracy" in his "Studies on Socialism" (von Mises 1932 [1922], 435). Karl Marx, according to von Mises, had not recognized the role of workers as consumers in the economic process (von Mises 1932 [1922], 401, footnote).

"All production ... must be geared to the wishes of the consumer. If it does not meet the demands made by the consumer, then it becomes unprofitable. So it is ensured that the producers conform to the will of the consumers ... The master of production is the consumer. The national economy is ... a democracy in which every penny represents a ballot. ... It is a consumer democracy." (von Mises 1932 [1922], 412)¹⁷⁸

In the "social market economy" – the term that has prevailed since the 1949 *Düsseldorf Guidelines* as a term for the political implementation of ordoliberal ideas (Buggeln 2022, 607) – "everyone ... should share in the success" (Erhard 1957, 174), and lower taxes acted in this endeavor like baking powder for a growing cake. The role that Ludwig Erhard and the ordoliberals played in shaping the tax system should not be underestimated. After all, after World War II, fiscal policy also had to be shaped within the framework of a constitution. According to Korinna Schönhärl's assessment, the left-wing opposition was concerned with protecting the existing legal norms through sanctions, whereas the conservative and liberal parties wanted to relativize the tax laws and were able to translate them "into concrete institutional frameworks" on the basis of their parliamentary power (Schönhärl 2019, 186).

¹⁷⁶ Rüstow also took up these interdependencies and put them into perspective: political freedom is only possible if there is economic freedom (Ptak 2004, 187).

¹⁷⁷ „Hierbei ist zuvorderst an die Freiheit jedes Staatsbürgers gedacht, das zu konsumieren, sein Leben so zu gestalten, wie dies im Rahmen der finanziellen Verfügbarkeiten den persönlichen Wünschen und Vorstellungen des einzelnen entspricht. Dieses demokratische Grundrecht der Konsumfreiheit muss seine logische Ergänzung in der Freiheit des Unternehmers finden... Konsumfreiheit und die Freiheit der wirtschaftlichen Betätigung müssen in dem Bewusstsein jedes Staatsbürgers als unantastbare Grundrechte empfunden werden.

¹⁷⁸ „Alle Produktion [muss sich]... nach den Wünschen der Verbraucher richten. Entspricht sie nicht den Anforderungen, die der Konsument stellt, dann wird sie unrentabel. Es ist also dafür gesorgt, dass die Erzeuger sich nach dem Willen der Verbraucher richten ... Der Herr der Produktion ist der Konsument. Die Volkswirtschaft ist ... eine Demokratie, in der jeder Pfennig einen Stimmzettel darstellt. ... Sie ist eine Verbraucherdemokratie.“

Now, tax policy can by no means be interpreted unilaterally in only one direction of its inequality-reducing or reinforcing effects. For example, the so-called *Lastenausgleichsgesetz*, or LAG for short, of August 14, 1952 (*Bundesgesetzblatt* (BGBl) 1952) also falls into this period. Strictly speaking, the LAG was not a tax, but a levy. But since the levy was stretched over 30 years, I list it for the sake of a fuller picture of fiscal policy. The LAG was intended to "work toward a balancing of burdens" within the population after the war, taking into account the principles of social justice and the possibilities of the national economy. The one-time wealth levy amounted to 50 percent of total wealth, which, stretched over three decades, was equivalent to a wealth tax of about 2-3 percent and thus led to a reduction in wealth inequality, but at the same time did not tax the substance (Albers et al. 2020, 23). According to Albers et al. the LAG was, next to the destruction of business wealth, the "largest contractionary impulse on the top 1% wealth share" (Albers et al. 2020, 2). This is how the authors of the study *The Distribution of Wealth in Germany, 1895-2018* sum up the situation:

"[I]t was not the destruction of the war that was the main levelling factor in the post-war German wealth distribution. Instead, redistributive tax policies that followed can best explain why Germany came out of the war much more equal than it had entered it."
(Albers et al. 2020, 23)

However, as Marc Buggeln shows, some tax cuts in the Erhard era were as severe as years later in the US under Ronald Reagan and in the UK with Margaret Thatcher. For example, the top income tax rate fell by 42 percentage points between 1949 and 1966 (for comparison, the second largest cuts were in the US, at 12 percentage points; Buggeln 2022, 679). While it was said for a very long time that neoliberalism made its breakthrough with Reagan and Thatcher, more recent research shows that in fact taxes in Germany lost their redistributive effect particularly under the influence of Ludwig Erhard.

That this finding appears counterintuitive is due to several aspects. First, and as already elaborated above, ordoliberalism took a skeptical position toward powerful entrepreneurs and corporations, so that a certain containment toward economic elites was cultivated. Economic growth was very high, so Piketty's formula, $r > g$, was reversed for some time. Now, it could be argued that it was the social market economy itself that boosted the economy so much in the first place.

There is no question that there was very high economic growth and that prosperity grew in society as a whole. But this was also true of countries whose tax systems were more progressive (such as the US). In addition, the level from which Erhard cut taxes was comparatively high: the Allies had raised taxes far higher. Last but not least, after World War II, the "Triumph of Democracy" saw the expansion of a modern welfare state, "enabled through [not only] progressive taxation [but also] unionization (a leveling force which is negatively correlated with income inequality) and democratization" (Linartas 2018, 43).

Despite the tax cuts, these developments did not lead to a rapid increase in inequality, as was the case in the US and the UK after the "inequality turn" (Atkinson 2015, 80). The triumph of tax policy as envisioned by the Mont Pèlerin Society began in Germany with Ludwig Erhard and entered the home stretch in the mid-1990s – after minor detours in the 1970s – when the SPD "[ran] after the neoliberal zeitgeist" from the 1990s onward (Butterwegge 2007, n.p.).

4.2.7 Inheritance Tax Laws after the Second World War: Under the Sign of Ordoliberalism

Between 1925 and 1945, inheritance tax rates remained unchanged. Although there were innovations in 1930 and 1934, the big bang came on February 28, 1946, with Control Council Law No. 17, when Class V tax rates, between 14 and 60 percent, became valid for all (classes were abolished), exemption amounts were lowered, and the spouse became subject to tax again (Frank 1969, 50-51). Two years later, the military government in the western occupation zones introduced a new law: with Law No. 64, the family relationship was again taken into account in the progression, spouses were exempt if they had children (provided the estate did not exceed 500,000 marks, §17a), the five tax classes were reintroduced, and the first tax class paid 4 to 38 percent (Military Government Gazette 1948, Law No.64).

In turn, tax rates in tax bracket V rose to as much as 80 percent – the highest marginal tax rate since 1922. More interesting for the analysis in this dissertation than the tax laws imposed by the Allies, however, are the developments in inheritance and gift tax under democratic leadership. Were the rates raised again along Erzberger's lines, or were tax cuts the government's goal?

1951: The difference between Germans/residents and allowances

To the best of my knowledge, based on a broad literature search, I can say that in the literature on inheritance tax, the Act Amending the Inheritance Tax Act of June 30, 1951, has received little attention (ErbStG 1951, see BGBI 1951). This is regrettable, because some amendments were made that are – at least according to my research interest – of great relevance. In its amendments, the Inheritance Tax Act after World War II referred to that of August 22, 1925.¹⁷⁹ The amendments were, from the point of view of the research interest of this thesis, quite comprehensive.

According to the order of the paragraphs, the following changes were relevant: Residents, for whom the tax liability should arise, were redefined (§8). The omission of the temporal component

¹⁷⁹ However, it also states that there were changes on Dec. 1, 1930, Dec. 8, 1931, Oct. 16, 1934, as well as after the end of the World War in individual areas, Article I Nos. 1 to 4. In addition, there were changes made regarding new designations (for example, instead of "Reich" now "Bund," § 15, 18) or due to wartime events (e.g., addition next to "expiring" farms to "desert" farms, §18).

(of two years), which stated whether someone had to pay inheritance tax as a resident (§8(1)No.1.), was simply deleted. Germans without residence or habitual abode in Germany would not have to pay the inheritance and gift tax – because they were by definition not residents. It is also noteworthy that only natural persons, no longer legal entities, were addressed in the paragraph; instead of explicitly mentioning legal entities such as institutions and foundations, as well as domestic real or business assets (ErbStG 1925 §8(1)No.3,II), §8(1)No.3 now refers to "corporations, associations of persons, and estates that have their management or registered office in Germany."

The tax rates as introduced in 1948 were retained and were thus many times higher than in 1925: the rates started at 4, 8, 12, 14, and 20 percent for the five tax classes, respectively, and were 38, 50, 67, 69, and 80 percent for values of over 10 million marks. Correspondingly, §13No.2 also stated that the maximum tax rate when taking into account earlier acquisitions should not be 60 percent in total, but now no more than 80 percent.

Under the military government, Law No. 64 introduced an allowance for spouses based on the estate: the surviving spouse's acquisition was not to remain tax-exempt if the estate exceeded 500,000 marks. However, tax exemption was not to depend on the estate as a whole, but "on the amount of the individual acquisition" (Schäffer, CSU, BT 1950a, 11). After the amendment, spouses remained tax-exempt on amounts below 250,000 marks if there were descendants (§17a). In other words, wealthy spouses were taxed. If the inheritance for spouses was below 250,000 marks, it was taxed only if there were no descendants. At this point, therefore, it was indirectly introduced that the tax depended on the existing wealth of the spouses. If the spouses were wealthy, the tax was due (unlike in 1925, when taxation for spouses depended only on whether there were descendants). However, the first 250,000 marks would not be taxed, only amounts above that threshold.

Figure 4.19: Tax rates according to the inheritance tax law in FRG, 1951

§ 10
Steuersätze

(1) Die Erbschaftsteuer beträgt bei Erwerben

bis einschließlich Deutsche Mark	in der Steuerklasse				
	I	II	III	IV	V
	vom Hundert				
10 000	4	8	12	14	20
20 000	5	10	14	16	22
30 000	6	12	16	18	24
40 000	7	14	18	20	26
50 000	8	16	20	22	28
100 000	9	18	22	24	30
150 000	10	20	24	26	35
200 000	11	22	26	28	40
300 000	12	24	28	30	45
400 000	14	26	31	33	50
500 000	16	28	34	36	55
600 000	18	30	37	39	60
700 000	20	32	40	42	65
800 000	22	34	43	45	70
900 000	24	36	46	48	75
1 000 000	26	38	49	51	80
2 000 000	28	40	52	54	80
4 000 000	30	42	55	57	80
6 000 000	32	44	58	60	80
8 000 000	34	46	61	63	80
10 000 000	36	48	64	66	80
darüber	38	50	67	69	80

Source: BGBl 1951, 767.

According to this principle, fixed tax allowances were also introduced for the first time for tax classes I and II; even if the "value of the acquisition [exceeds] the tax allowance, only the excess amount is taxable" (§17b Nos. 1, 3). For the remaining tax classes, the old rule remained: "If the value of the acquisition exceeds the taxable amount, the entire acquisition is taxable ... However, the tax is levied only to the extent that it can be covered by half of the amount exceeding the taxable amount."

Another important aspect: the ten-year period was dropped. Whereas in 1925 assets were added up that accrued ten years prior to receipt, this paragraph (§17) was deleted in 1951. The tax allowances (§17b) amounted to 20,000 marks in tax class I, 10,000 marks in tax class II, 2,000 marks for tax classes III and IV, and 500 marks for tax class V.

While in 1922 household effects were still exempt in tax classes I and II to the tune of 500,000 marks, from 1923 there was no longer a limit (ErbStG 1923, §18(1)No.4); in 1951 a limit of 20,000 marks was introduced. For the valuation of "agricultural and forestry assets, for real property and for business assets, the standard value is decisive" (§22 No.2). In 1925, the capitalized earnings value still applied: "The capitalized earnings value [in 1925] for agricultural, forestry, or horticultural property was twenty-five times the net income" (*Reichsbewertungsgesetz* 1925, §152, 2-4,

see RGrB 1925b).¹⁸⁰ This distinction is important and was part of the disputes at that time and also of future ones.

Third parties were no longer required to file tax returns (RGrB 1925a, §§27 to 29): Registry offices, courts, notaries, asset managers, and insurance companies were no longer explicitly made liable under the Inheritance Tax Act. The entire section on deferrals (*ibid.*, §§37 to 41) also no longer appears in the Inheritance Tax Act 1951.

1954: Enormous tariff reductions – maximum tax rate for spouses more than halved

After the law amending the Inheritance Tax Law of July 23, 1953 regulated the changes due to the LAG, the law on the reorganization of taxes of December 17, 1954 reduced tax rates back to the levels from 1925 to 1945: Tax rates began at 2, 4, 6, 8, and 14 percent for tax brackets I to V up to 10,000 marks and could be 15, 25, 40, 50, and 60 percent for amounts over 10 million marks (ErbStG 1954, Section V, see BGrB 1954). The tax-free amounts were raised noticeably for all tax brackets (in tax bracket I, for example, from 20,000 marks to 30,000 marks). It was also important who was exempt from taxes.

Donations "to domestic religious societies" were amended under §19; "donations to domestic churches" was changed to donations "to domestic religious societies under public law or to domestic Jewish religious communities". Jewish religious communities would already have been covered by the ErbStG before (ErbStG 1951 §18No.2), but now they were explicitly included. The exceptions also applied with respect to donations "to domestic corporations, associations of persons, and estates that ... exclusively and directly serve ecclesiastical, charitable, or benevolent purposes" or that applied to such purposes (*ibid.*, §§ 18, 19).

Whereas in 1951 the donations still had to be "exclusively dedicated to charitable or non-profit purposes of Germans living within the territory of the Federal Republic of Germany, provided that the use for the specific purpose was ensured and the donation was not restricted to individual families or specific persons", in 1959 both the term "Germans" and the whole passage which specified that the donation was not to be restricted to a family were dropped (§§ 18, 19b).

¹⁸⁰ §13 of the *Reichsbewertungsgesetz* (Reich Valuation Law) of 08/10/1925, 164 (see RGrB 1925b): "For agricultural holdings, the principles of the *Reichsabgabenordnung* (Reich Tax Code) on valuation according to income values (§152 (2-4) of the *Reichsabgabenordnung*) apply./ §152(2-4): The capitalized earnings value is to be used as a basis. "The income value shall be deemed to be twenty-five times the net income in the case of agricultural, forestry or horticultural land... This shall not apply to land whose value is already determined by its location as building land or as land (346) for transportation purposes or in the case of which ... it may be assumed that it will serve purposes other than agricultural, forestry or horticultural in the foreseeable future. (347) Source: Finanzarchiv, 1921, Vol.38 (1), 321-402, Tübingen: J.G. Cotta'schen Buchhandlung.

1959: Fideicommissa – relics of the imperial era are deleted

According to the law "on the extinction of family entailments and other tied assets" (dated 07/06/1938, with effect from 01/01/1939), the paragraphs on entailments were deleted (ErbStG 1951 §§2No.2, 3No.8). Why this did not already take place in 1951, I cannot say; in 1959, the extinction of the so-called fideicommissum was taken into account.¹⁸¹ Instead of ErbStG 1951 §6 including fideicommissa, ErbStG 1959 §6 adds the *Zugewinnngemeinschaft*. This paragraph deals with the gain resulting from the death of a spouse.¹⁸²

The relationship with the Saarland was regulated in §8a, and the regulation on the avoidance of double taxation with properties located abroad, which in the ErbStG 1951 was in §8No.4, was moved to §9.¹⁸³ The tax brackets, tax rates, as well as the allowances did not change in relation to 1954 (§10, 11). On the other hand, §16, "Payment of tax on tied assets," was deleted. Works of art were expanded under §18Nos.3 a-e, under "Other Tax Exemptions."¹⁸⁴ Increase in the tax exemption of incapacitated persons was increased from 10,000 to 20,000 marks.

§16a was deleted¹⁸⁵ and the regulation of multiple inheritances was regulated in more detail (§21): Persons in tax classes I and II were not taxed on half or a quarter if the same property accrued in the five years or between five and ten years. §23No.7 was new: "Land and movable property, the preservation of which is in the public interest because of its importance to art, history or science, shall be assessed at 40 percent of its value if the annual cost generally exceeds the income earned."

In Part IV, the "transitional and final provisions" became the "enabling and final provisions." The enabling provisions called on the federal government to issue necessary legal ordinances, including those on the "notification obligations of public authorities, civil servants, notaries, insurance companies and the commercial custodians and administrators of third-party property" (§35,1e), i.e. those actors whose explicit naming was deleted some years before. The German government complied with this on January 19, 1962, with the new version of the Inheritance Tax Implementation Ordinance, which dealt with the duty to notify third parties (Frank 1969, 53).

¹⁸¹ Fideicommissa are relics of the imperial era, which were intended to keep the assets, including landed property of families, legally inalienable within the family in perpetuity.

¹⁸² In the case of the surviving spouse, "the fourth part of the amount which, if he or she were the sole heir, would accrue to him or her as a taxable inheritance without taking into account legacies, stipulations and compulsory share claims, shall not be deemed to be an acquisition within the meaning of section 2. In calculating this amount, the allowance under section 16 or section 17 shall not be deducted" (§6No.1).

¹⁸³ Germany began to conclude bilateral agreements with states, such as Austria, "guided by the desire to avoid double taxation in the field of inheritance taxes" (BGBl 1955, II, 756.).

¹⁸⁴ For example, they had to have been in the family for at least twenty years or "be entered in the register of nationally valuable cultural property or nationally valuable archives in accordance with the Law on the Protection of German Cultural Property against Emigration of August 6, 1955 (BGBl 1955, I, 501)."

¹⁸⁵ "Inter vivos gifts given to promote housing or shipbuilding to persons not in tax brackets I through IV...".

4.2.8 Interpretation of the Legislative Changes and Analysis of Narratives in the 1950s

As part of the "most comprehensive tax rate reduction in German history" (Buggeln 2022, 633), the inheritance tax was also reformed. As early as 1951, higher and, for tax class I, fixed allowances were introduced; new exemptions were enforced, especially for Germans living abroad, de facto making it easier to avoid inheritance tax; and the standard value was introduced for businesses. The standard values generally resulted in an undervaluation of assets and lower tax rates, an aspect that was to provide much fuel for controversy. But the changes of 1954 were even more extensive and had a greater impact: the most significant was the reduction in tax rates, which was particularly large for the next of kin. While heirs in tax bracket I still had a marginal tax rate of 38 percent in 1951, this was more than halved and was only 14 percent from 1954. The maximum tax rate also fell from 80 to 60 percent.

Another five years later, the inheritance tax was again weakened a little when the allowances were again increased and further exemptions from the tax were introduced. Above all, in 1958 it was necessary to extend concessionary provisions to agricultural and forestry real estate and business property (Schäffer, CSU, BT 1958a, 5). Overall, the development of the inheritance and gift tax is clear: it was steadily lowered, losing importance and impact, both in terms of potential revenue and redistributive effect. Thus, the inheritance tax was consistently included in the program of tax policy according to the plans of Chancellor Konrad Adenauer and Finance Ministers Fritz Schäffer and Ludwig Erhard, which aimed at "reducing ... excessive rates, especially in the field of direct taxes" in the sense of "normalization" (Adenauer, CDU, BT 1954a, 58).

Narrative analysis 1951 to 1959

The framework as set by the military government did not suit Finance Minister Schäffer in many respects. Most of the narratives that were supposed to legitimize his reform referred to the Allied system, which did not fit with the German inheritance tax system. For example, the exemption amount for spouses was not to be derived from the estate, but from the amount of the individual acquisition (Schäffer, CSU, BT 1950b, 11). The narrative of the unsuitable framework conditions was thereby interwoven with the narrative of the family property principle: for the orientation according to the estate would only work if the spouse was the sole heir, but in "cases where he is only a co-heir ... difficulties and doubts arise that cannot be resolved. The amendments to this provision can no longer be avoided" (Schäffer, CSU, BT 1950b, 11). Inherited property was thus placed in the family context.

Other changes were similarly rabidly presented as untenable: Regulations had "not proven themselves in practice" (ibid.), they contradicted principles (ibid., 12), or they were extremely

cumbersome (ibid., 14), doubtful, and unclear (ibid., 15). Because of the "hardships and difficulties" (ibid., 20), therefore, changes had to be made to the framework.

Even if the inheritance tax was weakened overall, it was by no means to be abolished. Adenauer himself invalidated narratives such as those put forward by the Contra group in the 1920s. Thus, Section V "on the reorganization of taxes" states:

"The objection raised against the inheritance tax is that it inhibits the population's willingness to save and capital formation. This objection is unfounded. Nor is there any question of steering capital away in the overwhelming majority of cases, even under the existing provisions." (Adenauer, CDU, BT 1954a, 115)¹⁸⁶

Nothing needed or should be changed in the system and structure of the Inheritance and Gift Tax Act, but the new law provided for "mitigation in two respects": allowances and rates would result in a reduction of the inheritance tax (ibid.). This narrative reveals the primary goal of these changes: tax reduction (ibid., 116). Even in 1958, the purpose of the reforms was to alleviate the tax burden (Schäffer, CSU, BT 1958a, 11), which was still considered too high. The winners of this "normalization" would be the entire population:

"The effect of the increase in the allowances as a relief in relation to the existing tax is mainly on smaller and medium-sized estates and will have the effect of increasing the number of cases in which no tax is levied. The restructuring of the tariff will mainly benefit the larger estates." (Adenauer, CDU, BT 1954a, 115)¹⁸⁷

While Adenauer explained in the explanatory memorandum that the entire population benefited from the reforms, the narratives of the principle of ownership within the family were repeated in the readings on the law. The tax cuts were presented as an imperative of tax justice and in the interests of the family, especially for smaller businesses, such as by Representative Kurt Schmücker of the CDU/CSU parliamentary group:

"Where is the real problem? In the case of small and medium-sized businesses, it is precisely in the inheritance process, where first of all two, sometimes three generations of a small business have to be maintained at the same time ... The small businesses are hit particularly hard in these years, and if we make an effort to maintain small and medium-sized businesses, then we must not give them a special tax burden in these most difficult years of their existence." (Schmücker, CDU/CSU, BT 1954c, 2785)¹⁸⁸

¹⁸⁶ "Gegen die Erbschaftsteuer wird der Einwand erhoben, dass sie den Sparwillen der Bevölkerung und die Kapitalbildung hemme. Dieser Einwand ist unbegründet. Auch von einer Wegsteuerung des Kapitals ist in der überwiegenden Zahl der Fälle schon nach den bestehenden Vorschriften nicht die Rede."

¹⁸⁷ "Die Erhöhung der Freibeträge wirkt sich als Entlastung im Verhältnis zur bestehenden Steuer hauptsächlich bei kleineren und mittleren Nachlässen aus und wird zur Folge haben, dass die Zahl der Fälle, in denen keine Steuer erhoben wird, größer wird als bisher. Die Umgestaltung des Tarifs kommt hauptsächlich den größeren Nachlässen zugute."

¹⁸⁸ "Wo liegt denn das eigentliche Problem? Das liegt bei den kleinen und mittleren Betrieben gerade im Erbgang, dort, wo zunächst einmal gleichzeitig zwei, manchmal drei Generationen aus einem kleinen Unternehmen unterhalten

One particularly important aspect is highlighted in the federal government's preliminary remarks on the 1958 tax reform laws, underscoring the understanding of the function that was seen in the inheritance tax. Whereas Erzberger emphasized the aspect of redistribution in the interests of justice even before increased tax revenues, "economic policy neutrality" was now upheld (BT 1958b, 1). Thus, a blatant departure from the understanding of what direct taxes were functionally for, as conceived by Erzberger, was carried out and enshrined in law.

In fact, there was no resistance to the plans of the Union-led federal government in the 1950s. Neither in the parliamentary debates in the *Bundestag*, nor in the *Bundesrat*, were there any major arguments or disputes. Unlike the debates in the 1920s, the reforms no longer involved fundamental disputes or even paradigmatic or ideological shifts. *Au contraire*: SPD deputy Walter Seuffert emphasized that the inheritance tax could have been lowered even further; about this "there was always agreement not only on all sides of this House but also among the general public" (Seuffert, SPD, BT 1954b, 2691).

The disputes therefore related only to aspects of the arrangement. As before, the SPD argued that inheritance represented "an effortless, unearned, sometimes even unexpected increase in wealth" (Königswarter, SPD, BT, 1954c, 2785). Accordingly, the rates should be maintained at their level and thus the large fortunes should continue to be taxed at a higher rate. The tax-free allowances, on the other hand, could be raised, as this would spare smaller inheritances while counteracting wealth inequality: "We do not want a concentration of capital in a few hands, which then leads to uncontrolled power positions" (Königswarter, SPD, BT 1954c, 2785). The FDP demanded exactly the opposite, that one should concentrate only on the tariffs and reduce them, but leave the allowances (Wellhausen, FDP, BT 1954b, 2691). There was no major friction, no accusations, no debate at all, and the pro-group's narratives were comparatively mild and relativizing.

In the camp of the government and the unequivocal supporters of an inheritance tax, there were mainly narratives from four categories. The existing framework conditions were criticized most frequently, so it was only logical to change them. In addition, the interest was in preserving the substance of the assets, property was framed in accordance with the family principle, and economic damage caused by excessively high inheritance taxes was to be prevented. In general, the main goal was to alleviate the tax burden.

On the other hand, it is not possible to speak of a pro-inheritance tax repertoire in the 1950s. Even though the table shows more narratives as strong or moderate, measured against the most frequently mentioned narrative, I must admit at this point that the consistent presentation distorts the actual picture: While there were narratives that involved strengthening the inheritance tax, they rarely occurred in the aggregate. Over the entire decade and in the context of the three amendments, I found not even 40 pro-inheritance tax narratives in the readings of the bills in the

werden müssen ... Die kleinen Betriebe werden doch gerade in diesen Jahren empfindlich getroffen, und wenn wir uns darum Mühe geben, kleine und mittlere Betriebe zu erhalten, dann dürfen wir sie in diesen schwierigsten Jahren ihrer Existenz nicht noch von der steuerlichen Seite her besonders erfassen."

Bundestag and *Bundesrat* (for comparison, there were over 60 pro-narratives between 1922 and 1925 alone). There was simply no dissent, the narratives were in unison: the inheritance tax should be weakened. The political elite in the 1950s were united in this basic stance.

Table 4.8: RONs of the German political elite about the inheritance tax, 1951-1958

<i>German political elite</i>	<i>1951-1958</i>	
	Pro	Contra
	OPPOSITION (SPD, PDS)	GOVERNMENT (CDU, FDP)
<i>Value based</i>	14	38
Fairness, Justice	4	3
Principle of Equality	2	2
Opportunity		
Principle of merit	1	2
Ownership Principle (Family)	3	10
Framework conditions	4	21
<i>Macrosocial</i>	6	23
Means to an end	1	9
Democracy	1	1
Inequality	2	
Home ownership		2
Economic reference	2	5/10
- Jobs		
- Small and middle bussines		5
Double taxation		1
Socialism		
Communism		
Capitalism		
<i>Dissatisfaction and suspicions</i>	9	2
Dissatisfaction		
State budget	1	
Corruption		
(Privileged) rich	5	
(Privileged) business assets	3	2
<i>Envy, resentment</i>		
Principle of justice		
Envy		
State grudged		
<i>Property preservation</i>	4	15
Principle of equality		
Property principle	4	13
Types of income		
Foreign dimension		2

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	5	14	21	38
Strong	4	11-13	17-20	29-37
Moderate	2-3	4-10	6-16	10-28
Weak	1	1-3	1-5	1-9

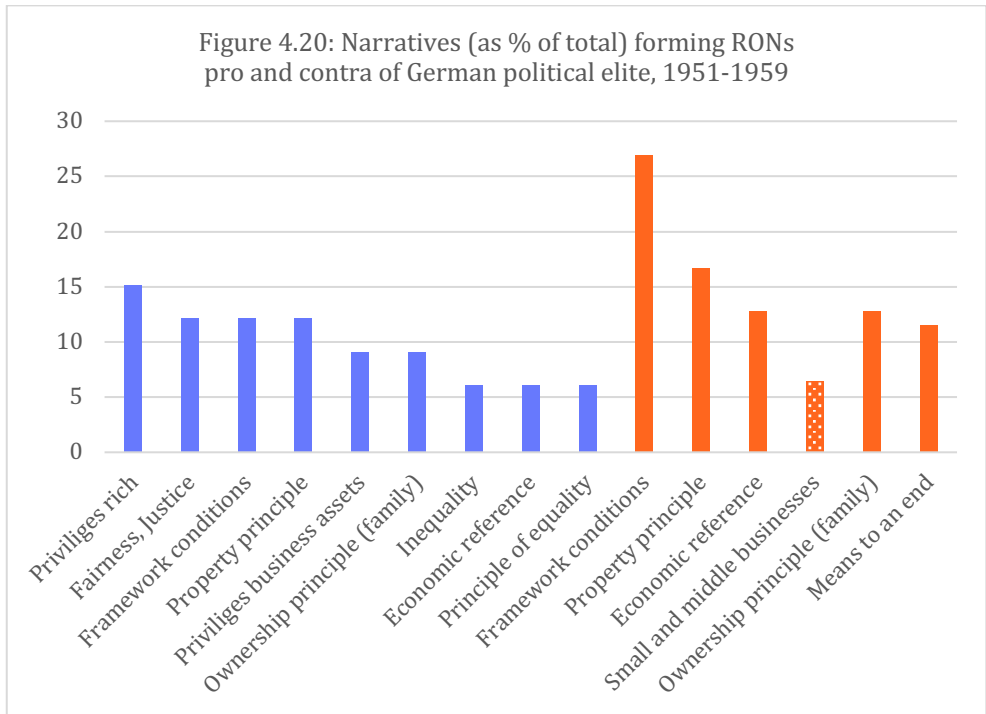
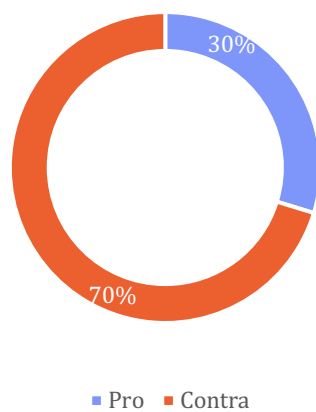


Figure 4.21: Share of pro and contra narratives as % of total of German political elites, 1951-1959



4.2.9 Paradigm in the 1970s: Keynesians for a Moment

After Ludwig Erhard resigned on November 30, 1966, the first grand coalition was formed, led by the CDU/CSU with the SPD as junior partner. Under the new Chancellor Kurt Georg Kiesinger (CDU) and Minister of Economic Affairs Karl Schiller (SPD), there was a change of course toward an "enlightened market economy" that was to lead Germany out of the first recession after World War II with the help of economic stimulus programs and on the basis of the "Stability Act" of May 10, 1967 (BGBl 1967). While Erhard relied on monetary means in line with his focus on monetary stability, Schiller used fiscal policy interventions (Buggeln 2022, 714), which could be derived from the four central aspects of the stability package. Taken together, these four aspects formed the so-called "magic square": price stability, full employment, external balance, and sustained economic growth. Although the name "Stability Act" became widely used, the full name of the law was in fact "Act to Promote Stability and Growth of the Economy." The entire name hints at what would shape the paradigm of social democratic economic policy.

Indeed, the magic square marked a shift away from the supply-side policies of Erhard and the ordoliberals, toward more demand-side ideas developed by John Maynard Keynes in the 1930s (Keynes 1998 [1936]). But the move away from ordoliberalism did not mean a full-blown turnaround. For one thing, it did not result in a long-lasting Keynesian orientation, such as that which took hold in the United States. The focus on the demand side in the sense of "aggregate incomes, aggregate profits, aggregate output, aggregate employment, aggregate investment, aggregate saving" (Keynes 1998 [1936], 8)¹⁸⁹ in financial and economic policy was indeed cross-party.

This may have been due to the success of the magic square, with which Schiller successfully conjured Germany out of its recession. But the orientation toward Keynesian demand policy lasted overall only until the mid-1970s – less than a decade (Bibow 2017, 15). Still, from the late 1960s to the mid-1970s, the election programs of the SPD, the CDU/CSU, and the FDP were aligned according to demand and jobs in matters of financial and economic policy; the unequal distribution of income and wealth was emphasized more strongly and framed as damaging to the economy. Thus, the CDU/CSU stated, "[s]ecure jobs, growing prosperity and one of the most stable currencies ... will remain the goals of our economic policy in the future" (CDU 1969, No.10). The FDP, in turn, put on paper in its *Freiburger Thesen* (1971) that

"freedom and justice ... are [threatened] by the tendency to accumulate property and money, which makes the rich richer and richer, and the tendency to concentrate private ownership of the means of production in a few hands." (FPD 1971, 14)¹⁹⁰

¹⁸⁹ In a nutshell, what Keynes explained in *General Theory*: aggregate was key (Keynes 1936).

¹⁹⁰ "Freiheit und Recht ... durch die Tendenz zur Akkumulation von Besitz und Geld [bedroht sind], die die Reichen immer reicher werden lässt, und die Tendenz zur Konzentration des privaten Eigentums an den Produktionsmitteln in wenigen Händen."

Not only the content, but also the style of the narratives seemed leftist, even Marxist, from today's perspective. That the FDP would speak of the concentration of private ownership of the means of production would be unthinkable in today's world. The differences in the current electoral and basic programs of the SPD, CDU/CSU, and FDP (more on this in chapter 4.2.16) did not exist at that time. As Marc Buggeln sums up:

"The expansion of the welfare state and the limitation of income inequality were shared in principle as goals by Christian Democratic, Liberal and Social Democratic parties until the early 1970s. As a tendency, however, social democratic governments relied more heavily on direct taxes, while conservative governments favored social security contributions and indirect taxes, especially the value-added tax [VAT]." (Buggeln 2022, 790)¹⁹¹

With the *Godesberger Program* (1959), the SPD had also addressed the issue of the unfair distribution of income and wealth and, in doing so, also identified the culprit:

"This is not only the consequence of mass wealth destruction through crisis, war and inflation, but essentially the fault of an economic tax policy that favors the accumulation of income and wealth in a few hands and disadvantages the hitherto wealthless."
(SPD 1959, 10-11)¹⁹²

While the *Godesberg Program* broke with the ordoliberal approach on the one hand, it also broke with the old social democratic program at the same time (Nachtwey 2009, 72; Buggeln 2022, 701). This break is, in retrospect, perhaps the more important one. As Oliver Nachtwey points out, social democracy struggled for a long time over whether the ideas of social justice in the form of socialism lay in overcoming capitalism, or whether there should be a step-by-step approach to the ideals within capitalism. With the *Godesberg Program*, it was sustainably decided that "the social question should be solved primarily within capitalism" (Nachtwey 2009, 72). This led to what Nachtwey calls "the social democratic accumulation dilemma":

"This *social democratic accumulation dilemma* [...] was accompanied by the transformation of the understanding of social policy: Welfare state policy changed from a means of directly alleviating the effects of capitalist accumulation to the actual goal and purpose of social democratic policy." (Nachtwey 2009, 59, italics i.o.)¹⁹³

¹⁹¹ "Der Ausbau des Sozialstaats und die Beschränkung von Einkommensungleichheiten wurden als Ziele bis Anfang der 1970er Jahre von christdemokratischen, liberalen und sozialdemokratischen Parteien im Grundsatz geteilt. In der Tendenz setzten sozialdemokratische Regierungen aber stärker auf direkte Steuern, während konservative Regierungen Sozialversicherungsbeiträge und indirekte Steuern, vor allem die Mehrwertsteuer, bevorzugten."

¹⁹² "Das ist nicht nur die Folge massenhafter Vermögensvernichtung durch Krise, Krieg und Inflation, sondern im wesentlichen die Schuld einer Wirtschafts- und Steuerpolitik, die die Einkommens- und Vermögensbildung in wenigen Händen begünstigt und die bisher Vermögenslosen benachteiligt."

¹⁹³ "Dieses *sozialdemokratische Akkumulationsdilemma* ... ging einher mit der Transformation des Verständnisses von Sozialpolitik: Sozialstaatliche Politik wandelte sich von einem Mittel der unmittelbaren Linderung der Auswirkungen kapitalistischer Akkumulation zum eigentlichen Ziel und Zweck sozialdemokratischer Politik."

Economic growth, previously a means, now became a goal. According to Nachtwey, the orientation toward "Keynesian social democracy was the farewell to socialism" (Nachtwey 2009, 102). According to the definition of ideology in this dissertation, this is a particularly significant turning point: The struggle for the best ideology, a struggle that had existed since the beginning of the social democrats (see Nachtwey 2009, 73), came to an end. Capitalism became hegemonic, the turn toward Keynes meant a turn away from socialism. Paradigms (such as Keynesianism or neoliberalism) would henceforth be shaped only within this ideology, the ideology of capitalism.

This macroeconomic understanding can also explain the SPD's fiscal policy in the years of the first governments it led. Willy Brandt was the first SPD chancellor in 1969. It was during this period that the reforms of the inheritance tax, which are of interest below, took place. Although Brandt spoke of a comprehensive tax reform in his government declaration on October 28, 1969, he stated at the outset that it was not aimed at confiscatory taxes. This would run counter to the goals of tax policy: "We also want to create the conditions for a broader accumulation of wealth in tax policy" (Brandt 1969, 11).

Redistribution and economic efficiency, "productivism", as described by Joel Rogers and Wolfgang Streeck (Rogers and Streeck 1994, 128-133; cited after Nachtwey 2009, 101), necessitated a tax policy that should be as revenue-neutral as possible overall in the name of economic growth. Lower and middle incomes were to be relieved (so that more demand could be created), while at the same time loopholes and privileges for the richest were to be addressed. While the grassroots of the SPD also demanded high taxes on income and wealth, the party leadership was strictly against this and paid little attention to the demands of the grassroots in shaping the tax reform (Buggeln 2022, 727, 734-738). Not higher tax revenues overall, but more economic growth was understood as the way to achieve more social justice and prosperity for all. Thus, the SPD's 1972 election platform stated:

"Our finances are healthy. The overall tax burden on the national economy has not increased. ... Generally speaking, we ... cannot promise tax cuts. On the contrary, we will have to ask the taxpayer to pay a little more in 1973 and for the following years, with more attention to the principle of social justice than in the past." (SPD 1972, 59)¹⁹⁴

There was talk of a tax burden, but at the same time it was stated that this had not increased. The SPD virtually apologized for the fact that the government would have to demand a little more from the taxpayer in subsequent years. This increase in tax revenue would come primarily from the Second Tax Reform, which included reforms of the wealth and inheritance taxes and was introduced on February 22, 1973, by Federal Minister of Finance Helmut Schmidt (Schmidt, SPD, BT, 1973a, 799).

¹⁹⁴ "Unsere Finanzen sind gesund. Die gesamte Steuerbelastung der Volkswirtschaft ist nicht gestiegen. ... Allgemein Steuerensenkungen können wir ... nicht versprechen. Im Gegenteil: Wir werden im Jahre 1973 und für die folgenden Jahre vom Steuerzahler etwas mehr verlangen müssen, wobei mehr als bisher der Grundsatz sozialer Gerechtigkeit zu beachten ist."

This dispute was preceded by a ruling of the Federal Constitutional Court that made action by the federal government necessary. When on May 17, 1968, the Federal Constitutional Court ordered the *Bundestag* to eliminate violations of the principle of equality in taxes based on unit values (*Einheitswerte*; *Bundesverfassungsgericht* (BVerfG) 1968), it became clear how the tax policy ideas of the social-liberal government would be realized. The unit values to which the Federal Constitutional Court referred meant the valuation of real property, which at that time was taxed according to the values of 1935. According to the judges in Karlsruhe, this created a "two-class system" of real property and other assets. This discrepancy constituted a violation of the principle of equality, Article 3 of the Basic Law. According to Schmidt, this assessment of real property resulted in real property being taxed at only 10 to 15 percent of its true value (Schmidt, SPD, BT 1973a, 800).

Politicians from the government were not the only ones interested in a reform, which one way or the other would have to be realized based on the ruling of the Federal Constitutional Court. Norbert Blüm of the CDU emphasized that the inheritance tax made a mockery of the idea of a meritocracy, since large fortunes "are hardly asked to pay" (*Publik* 1970, BT-P). Within the government, the motivation for this reform varied. The SPD was willing to push through a tax reform in line with its ideas of fairness. As early as 1970, Hessian Finance Minister Erwin Lang had launched a first attempt to put the inheritance tax on the political agenda (*Handelsblatt* 1970, BT-P; *Vorwärts* 1970, BT-P).

In an interview, Lang spoke of the unfair distribution of wealth, which "probably no one would dispute today." The reform, he said, must above all be about "ensuring that tax policy does not serve exclusively fiscal considerations" (*Vorwärts* 1970, BT-P). Wealth accumulation must not be further encouraged, he said. On a personal level, Parliamentary State Secretary Konrad Porzner likely also had strong motivations for a reform that would lead to more redistribution in the sense of wealth inequality. Even ten years after the reform, the *Süddeutsche Zeitung* (SZ) reported:

"Legend has it that at the time of the establishment of the Max Grundig Family Foundation, a participant, elated by champagne, is said to have teased Porzner, the SPD financial expert, that taxpaying was now over. Angrily Porzner is supposed to have answered to it, that one will see still." (SZ 1983, BT-P)¹⁹⁵

For the FDP, on the other hand, the government's plans posed a problem, because tax increases were not something the FDP's electorate approved of. It took a great deal of persuasion to finally convince the FDP of the plan as well. Liselotte Funcke, chairwoman of the Finance Committee of the German *Bundestag* and tax expert of the FDP parliamentary group, had a hard time. The SPD and FDP probably succeeded in reaching an agreement at a closed-door meeting. "At two o'clock in the morning, she fell," participants in the meeting reported to *Spiegel* (*Spiegel* 1973, BT-P). And

¹⁹⁵ "Die Legende weiß zu berichten, dass seinerzeit bei der Errichtung der Max-Grundig-Familienstiftung ein Teilnehmer, vom Champagner beschwingt, den SPD-Finanzexperten Porzner gehänselt haben soll, nun sei es mit der Steuerzahlerei vorbei. Erboost soll Porzner darauf geantwortet haben, das werde man noch sehen."

so Funcke also emphasized that the FDP "had not gone along with the agreement of its own free will but had been forced to do so by the constitutional situation" (*Spiegel* 1973, BT-P).

As Funcke explained at the end of November 1973, the consultation on reforming the inheritance tax "takes into account the demand of the Federal Constitutional Court." The additional revenue from the new standard values would be "counterbalanced by relief." Thus, "small and medium-sized inheritances would be substantially relieved compared to the current law" (FDP 1973).

The objectives of the reform of the inheritance and gift tax were "the elimination of inequalities in the valuation of real property vis-à-vis other types of property," higher exemption amounts and new rates that would "relieve the burden" on smaller and medium-sized estates and place a "moderately heavier" burden on larger estates, and the reduction of opportunities to evade the tax (BT 1973c, 1).

4.2.10 Inheritance Tax Law 1974: Family Foundations to Cash in

The Inheritance Tax and Gift Tax Reform Act of April 20, 1974 (ErbStG 1974, see BGBl 1974) comprises 10 articles, of which Article 1 deals with the Inheritance Tax and Gift Tax Act in §§1 to 39. A novelty in this inheritance tax is the new regulation for family foundations and associations. Section 1(1)No.4 stated that the assets of family foundations and associations should be subject to tax at 30-year intervals if the foundation or association has its management or registered office in Germany (§ 2(1)No.2). Sections 9(1)No.4, 23a and 24a determined the timing, the annuitization of the tax liability (which regulated the possibility of deferral for 30 years) and a possible reduction of the tax upon cancellation.

The five-year period for residents was also important and new. The personal tax liability (ErbStG 1959 §8, now brought forward to ErbStG 1974 §2) defined who was considered a resident and liable to tax: "Residents are b) German nationals who have not resided abroad for more than five years without having a domicile in Germany (§2(1)No.1b)."

Interesting are also some new paragraphs, such as §2(2) and §3, which defined more precisely what exactly still has to be taxed or belongs to the domestic. Sections 6 No.2 and 5 were also new; they described the handling of assets in the case of pre- and post-inheritance, as well as the peasant inheritance.

The paragraphs on *inter vivos* gifts in §7 were expanded from eight to ten individual items. The new paragraphs related to spouses, which under this reform underwent many innovations, and family foundations, which were made more subject to taxation (Nos. 4, 6, 9, 10). It was also new that participations in a partnership ((5) and (6)) as well as the transfer of shares of a partner ((7))

were explicitly made subject to taxation in the context of *inter vivos* gifts. Section 9 on the "incur-rence of tax" was restructured, but in substance was without any notable changes; the only signifi-cant and new feature was the new tax liability for foundations every 30 years (§9(1) No.4).

The taxable acquisition (§10) was differentiated ((1)); costs in connection with burial, settlement, regulation, or distribution were capped at 5,000 marks for the first time ((5)No.3); and benefits relating to foundations were not deductible ((7)). Land in the state of development was also in-cluded in the valuation (§12(4)).

Tax exemptions (§13) for household effects were set at 40,000 marks for tax classes I and II, and at 10,000 marks for other tax classes. Art collections were exempted at 60 percent or fully if they were subject to preservation of historical monuments (in abbreviated form, in detail, see §13, para. 2b). The assessment on the total value of the art objects was dropped.

Thus, the value of tax exemptions of household effects was doubled: for tax classes I and II from 20,000 to 40,000 marks, for the other tax classes from 5,000 marks to 10,000 marks. Other changes were of no further consequence.¹⁹⁶

In the calculation of the tax (section III), the 10-year period remained for gifts, and the maximum tax rate was allowed to be 70 percent. A very important change was that there were now only four tax classes: Tax classes III and IV were merged, and divorced spouses were placed in tax class III.

- Tax class I: Spouses, children, children of deceased children
- Tax class II: Grandchildren
- Tax class III: Parents and forefathers, adoptive parents, siblings, nieces and nephews, steppar-ents, children-in-law, divorced spouses.
- Tax class IV: All other acquirers and designated inheritors.

The passage regarding foundations, §15(2), was also new:

"In the cases of §7(1)No.9, the donor shall be deemed to be the founder or the person who transferred the assets to the association; taxation shall be based on at least the rate per hundred of tax class II. In the cases of §1(1)No.4, the double tax-free allowance pursuant to § 16(1)No.2 shall be granted; taxation shall be based on the percentage rate of tax class I that would apply to half of the taxable assets." (ErbStG 1974, §15(2))¹⁹⁷

¹⁹⁶ For example, the addition of §13(9) for acquisitions up to 2,000 marks to persons who have provided care or mainte-nance to the decedent. Deletions were also made, such as the absence of pensions. But these changes are irrelevant for this work.

¹⁹⁷ "In den Fällen des §7 Abs.1 Nr.9 gilt als Schenker der Stifter oder derjenige, der das Vermögen auf den Verein über-tragen hat; der Besteuerung ist mindestens der Vmhundertersatz der Steuerklasse II zugrunde zu legen. In den Fällen des §1 Abs.1 Nr.4 wird der doppelte Freibetrag nach §16 Abs. 1 Nr. 2 gewährt; die Steuer ist nach dem Vmhundertersatz der Steuerklasse I zu berechnen, der für die Hälfte des steuerpflichtigen Vermögens gelten würde."

Among the tax allowances (§16), the one for spouses represented the biggest change: The tax allowance for spouses above 250,000 marks was fixed and thus became independent of the existence of descendants. This means that for the first time there was a flawless, fixed tax-free amount for spouses in the five-digit range. For children, the tax-free amount was 90,000 marks; for persons in tax classes II, III, and IV, the tax-free amounts were 50,000, 10,000, and 3,000 marks, respectively.

In addition, special pension allowances were applied: "In addition to the allowance under §16(1)No.1, the surviving spouse shall be granted a special pension allowance of 250,000 German marks" (§17). This was offset against earlier acquisitions under §14. For children, the pension allowance also existed, but was staggered according to age between 10,000 and 50,000 marks. It was relevant whether there had been prior high gifts: "If the taxable acquisition (§10) exceeds 150,000 German marks, taking into account previous acquisitions (§14), the allowance ... is reduced by the amount exceeding 150,000 marks" (§17(2)).

From tax classes I to IV, the tax rates (§19) were 3, 6, 11, and 20 percent for amounts up to 50,000 marks; if the maximum limit was reached in 1959 at 10 million marks and considered, the tax rates were 18, 33, 46, and 60 percent. However, the tax amounts continued to increase up to values above 100 million marks and, with the new reform, amounted to 35, 50, 65, and 70 percent.

A new feature was the crediting of foreign inheritance tax (§21). Here it was explicitly regulated how double taxation could be avoided, but how inheritance tax also had to be complied with if "the foreign assets are also subject to German inheritance tax". The small-amount limit was also new: if only inheritance taxes of 50 marks or less were due, it was dropped altogether (§22). The suspension of the tax (§25) was specified and made subject to conditions; it could not remain suspended "indefinitely" if the use of the heritage was due to another user.

Also added is §26: "Reduction of tax in case of cancellation of a family foundation or dissolution of an association". If a family foundation or association was dissolved and given away, 50 or 25 percent became due if less than two or between two and four years had passed.

In §27, the ten-year period for persons in tax categories I and II was strengthened: values were reduced in five steps (according to years) between 10 and 50 percent, and not taxed at half or three-quarters after up to five or between five and ten years. The tax-free allowances were to be deducted. Also new and important were the deferrals (§28): "1) If the acquisition includes business assets or agricultural or forestry assets, the acquirer shall, upon application, be granted a deferral of the inheritance tax thereon for up to seven years to the extent necessary to maintain the business." This also applied to foundations.

In addition, there was a list of explicit information on the tax return (pursuant to § 30(4), § 31), which was more extensive than in 1959 (instead of two paragraphs, there were seven). In

addition, the duty of notification of asset custodians, asset managers, and insurance companies (§ 33), as well as of courts, authorities, civil servants, and notaries (§34) was tightened: if the rights of third parties had been suspended in 1951, they now came back into the law. With regard to jurisdiction (§35), who had to do what under which circumstances was also clarified.

Furthermore, there was the special provision that had a very important role: the special provision for the application of the standard values in 1964, which was amended for the first time since 1935 and resulted in the value of the real estate subject to the tax being closer to the actual value.¹⁹⁸ Article 7 is particularly interesting: special provision in case of dissolution of existing family foundations and associations, according to which they had ten years to be taxed according to the Inheritance Tax Act 1959 §10(2) instead of the new Inheritance Tax Act 1974 §15(2).

4.2.11 Interpretation of the Legislative Changes and Comparative Analysis of the Various RON 1973 to 1974

It was a long road involving many changes from the first draft of the law to its enactment. Already introduced by Finance Minister Helmut Schmidt on February 22, 1973, the Finance Committee introduced the important aspect in a motion on November 30, 1973, which – as mentioned above – finally made it into law: the recurring taxation of family foundations. From now on, foundations would have to pay inheritance and gift tax every 30 years. Gunter Huonker of the SPD, Member of the Bundestag and member of the Finance Committee, denounced the dimensions and concentration of assets of family foundations, whose purpose was to prevent asset fragmentation through inheritance and to save inheritance tax:

"The approximately 420 family foundations in the Federal Republic have five billion DM tied up. More than 80 [percent] of this is held by no more than 20 family foundations, represented by names such as Flick, Thyssen, Krag (Hertie), Schickedanz (Quelle), Henkle (Klöckner), Grundig and Eckes." (SPD 1973)¹⁹⁹

He said that the reform had to ensure that the possibilities for circumvention were eliminated; it would only be credible if this could be achieved while taking family foundations into account. And the moral of the story: Porzner and the SPD prevailed. In addition, the Finance Committee advocated that the top tax rates in tax brackets I to III would be higher for inheritances and gifts over

¹⁹⁸ The unit value was based on the 1954 value and was set higher in accordance with the development of the monetary value and calculated at 1.4.

¹⁹⁹ "Die etwa 420 Familienstiftungen in der Bundesrepublik haben fünf Milliarden DM gebunden. Über 80 [Prozent] davon werden von nicht mehr als 20 Familienstiftungen gehalten, für die Namen stehen wie Flick, Thyssen, Krag (Hertie), Schickedanz (Quelle), Henkle (Klöckner), Grundig und Eckes."

25 million marks. For 100 million marks, this would mean 35, 50, 65, 70 percent instead of 30, 45, 60, 70 percent (BT 1973b, 20).

The CDU/CSU had already called for higher tax allowances at the beginning of the debate. Rejected in the Bundestag, the Bundesrat convened the Mediation Committee, which met for almost three months. Unlike in the previous legislative period, the government had lost its majority in the Bundesrat. This made it necessary to reach an agreement with the CDU/CSU; the difficulty of the process was demonstrated by the fact that the Bundesrat voted in favor of the reform only in its third deliberation. Some significant points were pushed through (see FDP 1974):

- Allowances for children were raised from 70,000 to 90,000 marks, for grandchildren from 40,000 to 50,000 marks, and for other relatives from 3,000 to 10,000 marks.
- Another important change concerned the deferral for business assets, which could be spread from five to seven years.
- New unit values could not be used for tax assessment without new allowances.
- Family foundations, which were to be subject to inheritance tax every 30 years, would not be taxed for the first time until 1984.

Overall, the reforms and amendments can be interpreted as making the laws stricter. It appears that existing tax loopholes were to be closed (such as in §6(2) and (5) through clarifications). At the same time, the family should be better off, especially through higher tax allowances. With the deferral option for businesses, initially five but eventually seven years, any economic damage should be averted: Heirs (not businesses; persons are always taxed) would thus be given the opportunity to better pay off the tax from future profits. The regulation of the standard values, which gave rise to the reform on the part of the Federal Constitutional Court, was intended to establish justice in the system in accordance with the principle of equality, Art. 3 of the Basic Law GG.

According to the statements made in the parliamentary debates, the inheritance tax was to generate additional revenues of 200 million marks. This did not contradict revenue neutrality, because the inheritance tax was to be understood as part of the reform. Revenue neutrality was not to take place within the tax itself, but between different types of tax (Funcke, FDP, BT 1973a, 813). However, the sum of the additional revenues, estimated by the government, was directly questioned by the Union (Zeitler, CDU/CSU, BT 1973c, 4116). The Union was to be proved right. Even though the allowances were raised, the increase in tariffs had a greater impact: In just two years, revenues from inheritance and gift taxes doubled.

Since World War II, there had been a slight increase every year anyway, but the jump was significant: If revenues in the five years before the reform were between 240 and 271 million marks, in the five years since the reform they were between 458 and 541 million marks (see figure 5.32 on page 256). Whether these additional revenues turned out to be so much higher than estimated by chance or whether it was political calculation to quote a lower sum than ultimately realized can only be conjectured. The bottom line is that the inheritance tax was strengthened, smaller

inheritances were spared while larger assets were taxed more heavily, and family foundations were now also to pay inheritance tax.

As Buggeln summed up, the reforms were

"the last and probably also the only tax reforms in the history of the Federal Republic that were justified primarily on the basis of distribution policy arguments and presented as necessary steps toward greater social justice. [...] However, the effects on social inequality remained moderate. This was also due to the tax-skeptical FDP as well as the CDU/CSU majority in the Bundesrat, which severely limited the possibilities of redistributive tax policy. But even in the SPD leadership, it was hoped until 1975 that more social justice could be achieved without raising the tax rate." (Buggeln 2022, 748-749, 750)²⁰⁰

Following Buggeln, Keynesian policies had little effect on economic problems in the 1970s during the two oil crises (1973 and 1979) and were pursued only to a very limited extent (Buggeln 2022, 778). Even if the impact on inequality remained moderate, it can be noted that the inheritance tax experienced an overall strengthening both in its redistributive effect and in tax revenues. Hence, the question is: What narratives did the respective parties invoke to legitimize the reform overall and the individual demands in detail?

Narrative analysis 1973 to 1974

A clear-cut division into pro and contra is not possible, because all parties, both in government and in opposition, were in favor of reforming the inheritance tax in the interests of greater tax fairness. No one was interested in the status quo or weakening it. However, there were no narratives like those of Erzberger's time, in which tax was not presented as a burden: All parties saw taxes as an impediment to economic growth and rejected confiscatory inheritance taxes (Brandt 1969). The question then is how tax justice was framed. From the perspective of inequality, the SPD/FDP were more consistent, as they not only wanted to increase tax allowances but also to tighten rates and thus advocated redistribution. The CDU/CSU, on the other hand, was concerned primarily with further increasing allowances (and not tariffs). Accordingly, I subdivide SPD/FDP on the one hand into pro and CDU/CSU on the other into contra. For even if there were overlaps in ideas about the objectives of the reform (for example, that loopholes should be closed), the SPD was keen to advance the inheritance tax in terms of fair redistribution and thus lower inequality.

²⁰⁰ "die letzten und vermutlich auch die einzigen Steuerreformen in der Geschichte der Bundesrepublik, die vornehmlich mit verteilungspolitischen Argumenten begründet und als notwendige Schritte zu mehr sozialer Gerechtigkeit präsentiert wurden. [...] Allerdings blieben die Auswirkungen auf die soziale Ungleichheit moderat. Dies lag auch an der steuerskeptischen FDP sowie an der Bundesratsmehrheit der CDU/CSU, die die Möglichkeiten umverteilender Steuerpolitik stark einschränkte. Doch selbst in der SPD-Spitze hoffte man bis 1975, ein mehr an sozialer Gerechtigkeit ohne Erhöhung der Steuerquote erreichen zu können."

Pro: The most important goal is a fair distribution of the tax burden

The pro group attached four narratives in particular. By far the most frequently cited were those aimed at the framework. Moderately cited were narratives about justice, inequality, and the privileges of family foundations.

The standard values of 1935 meant that only 10 to 15 percent of the actual value of the real estate was subject to tax. According to Helmut Schmidt, this resulted in an intolerable inequality of taxation (BT 1973a, 800). According to State Secretary Konrad Porzner, one of the largest tax subsidies of recent decades was thus finally to be dismantled (Porzner, SPD, BT 1973c, 4121). Overall, the aim was to cultivate legal ways of circumventing the inheritance tax. For if the loopholes were not closed, the increases in rates for larger estates would be null and void. Family foundation taxation – once introduced on the part of the Finance Committee – was deemed particularly important. Family foundations, he said, are a much-preferred means of avoiding the inheritance tax. Family foundations were often established only because of the tax privileges. According to current law, this should now come to an end.

The social-liberal government accused the CDU/CSU of using specious arguments to maintain the privileges in the current law. Whether family foundations should be taxed as planned had been sufficiently reviewed. Constitutional concerns were denied because "of course [every tax law] has its effect into existing circumstances" (Funcke, FDP, BT 1973c, 4128). Another important change regarding tax avoidance related to the definition of residents. Not only the Foreign Tax Act was intended to alleviate tax avoidance through departure. The reform of the inheritance tax was intended to make another change in the tax law, which was intended to reduce the motivation to change one's residence for tax savings by allowing one to be subject to inheritance and gift tax for five more years.

Many narratives referred to equity aspects: Tax burdens were to be distributed more fairly than before thanks to tax reform. More social justice became the most important goal of tax reform. The governing parties also used the narrative of justice to put pressure on the CDU/CSU: it would underestimate the population's sense of justice and ultimately prove with its dismissive attitude toward reform that it lacked the will for more socially just taxes (Becker, SPD, BT 1973d, 4380). Only in the current constellation would a coalition have been found that not only spoke of tax justice but also acted accordingly (Becker, SPD, BT 1973d, 4382). Even under Adenauer, there was talk of an indispensable tax reform, but nothing happened because the CDU/CSU did not act for the people as a whole, but made policy for the wealthy. Thus, in a parliamentary debate, Becker quoted the Federal Fiscal Court, which in 1964 stated in an explanatory memorandum: "It is well known in court that the failure of efforts to reform the standard values is due to the desire of interested circles" (ibid.).

Throughout all the debates on the reform, the SPD had consistently maintained that the increase in the tax-free allowances should be mentioned together with the increase in the rates for larger

assets. By contrasting small and medium-sized assets on the one hand and larger assets on the other, inequality was indirectly yet clearly addressed. Taxes, including inheritance tax, were framed as a burden, but this should be shouldered more fairly in terms of reducing inequality. Rarely was there explicit mention of wealth concentration, which, however, no one could dispute. Accordingly, it can be deduced that the government was not concerned with specifically reducing inequality, but instead with distributing existing burdens more fairly and preventing further concentration. Antja Huber (SPD), for example, also emphasized that there were a great many citizens living in the Federal Republic who could not scrape together as much wealth in an entire working life as would remain tax-free under the inheritance tax (Huber, SPD, BT 1973c, 4126). Much more often, however, inequality was linked to justice: By taxing large estates more heavily and smaller and medium estates less heavily, the taxation of inheritances and gifts would be made more equitable (Porzner, SPD, BT 1973c, 4121).

Even if this narrative was cited less frequently overall than the above, it was specific to the FDP in clearly emphasizing that performance must be worthwhile: "Confiscatory tax rates that kill the individual's incentive to perform or the will to accumulate wealth are therefore resolutely rejected by us," according to Manfred Vohrer of the FDP (Vohrer, FDP, BT 1973a, 804). By mentioning capital accumulation, the FDP was closer to the narratives of the contra group, whose third most frequent narrative focused on precisely this. The SPD also mentioned the need for wealth creation, but this was not as important. In terms of the FDP, performance and wealth creation were the most frequently mentioned narratives after the general conditions.

Contra: Taxes must not counteract wealth creation

In the Contra camp, the profiling of the repertoire of narratives became clear toward the end in the Mediation Committee. Unlike the previous tax reforms, the repertoire was much broader. This was probably due to the fact that the CDU/CSU had to perform a difficult balancing act: many CDU/CSU politicians were still firmly convinced that taxes were fundamentally harmful to the economy, and this became particularly clear in the Bundesrat. But in keeping with the German zeitgeist, the Christian Democrats were also willing to call for tax fairness and to follow the ruling of the Federal Constitutional Court. Narratives on framework conditions were mentioned most frequently; in addition, economic-related narratives came into play, which also applied above all to jobs and small and medium-sized enterprises. Property preservation narratives were also part of the repertoire, on the one hand when it came to property preservation in general, but also with regard to capital formation. Capital formation (*Vermögensbildung*) became a new buzzword, which, in contrast to capital accumulation, was positively associated and resonated with an active note – as wealth did not simply accumulate systemically, but it was important to form and promote it via tax law consciously and actively.

Most of the narratives focused on the framework conditions. As the CDU/CSU politician Gerhard Stoltenberg, Minister President of Schleswig-Holstein, emphasized, the dissent that had arisen

Remember the orange bar from the beginning? Now imagine a blue bar, too.
Imagine these bars would continue ...

and the reason for the mediation committee could be traced first and foremost to the open questions that remained unresolved with regard to the new systems: How were simplification and better tax justice to be achieved without impairing the investment power and competitiveness of the economy (Stoltenberg, MP SH, BR 1974a, 2-3)? The bill, which was first referred to the Bundesrat, had been far from the goal of simplification. In addition, there had been a lack of coordination between the federal government and the states in the preliminary deliberations on important issues. The demands of the Bundesrat had not been addressed at all. According to Hans Filbinger, the Christian Democratic Minister President of Baden-Württemberg, the tax reform legislation was not ready for a decision (Filbinger, MP BaWü, BR 1974a, 3).

Filbinger emphasized the economic aspect in particular. No other narrative was used as frequently as the one that higher taxes would mean an additional burden on the economy and would cost jobs. In particular, the larger middle class would suffer under the planned reforms. Not only would a few millionaires be hit, but also jobs and thus the social standard of many citizens (Filbinger, MP BaWü, BR 1974a, 5). The repetition of economic narratives contributed to the fact that finally the deferral possibilities for business assets were raised from five to seven years. The rapporteur made it clear that a reduction in tax rates was not within the realm of possibility. Instead, it should be possible to pay the inheritance tax – if the business was proved to be endangered – within seven, instead of five years (Becker, BR 1974b, 95).

In the course of the debates, "capital formation" became a new fighting word: because this had to be promoted, the tax allowances should be increased; otherwise, the tax law would counteract the promoted wealth formation by a broad stratum of the population and the middle class. In line with Keynesian demand policy, higher tax allowances were justified on the grounds of the formation of capital for the bulk of the population; in other words, they were necessary to further promote economic growth. In the context of wealth formation and tax allowances, the CDU/CSU sometimes brought up the single-family house, which was supposed to be the benchmark for tax allowances.

Even if family foundations could not be used as an instrument of circumvention, there was to be no special treatment for them. The CDU/CSU raised constitutional concerns; especially since these were only added at the last moment by the Finance Committee (Gaddum, CDU, BR 1974b, 96). Moreover, the rigorous changes would certainly cost jobs (Becker, CDU/CSU, BT 1973c, 4128). Another important narrative was that of government revenues as a whole: In the Union's view, increases in unit values should not be accompanied by an increase in tax revenues every time.

Filbinger, having already announced that he would give his consent after the third consultation, gave a final reminder that the overall burden on the economy must be at the beginning of any discussion of tax reforms: "A building can only be erected when the ground has proved to be sustainable. I warn against undermining the basis of our welfare with our eyes open" (Filbinger, CDU, BR 1974b, 97).

Table 4.9: RONs of the German political elite about the inheritance tax, 1973-1974

<i>German political elite</i>	<i>1973-1974</i>	
	Pro	Contra
	GOVERNMENT (SPD, FDP)	OPPOSITION (CDU/CSU)
<i>Value based</i>	53	15
Fairness, Justice	15	2
Principle of Equality	2	
Opportunity		
Principle of merit	4	1
Ownership Principle (Family)	2	
Framework conditions	30	12
<i>Macrosocial</i>	21	20
Means to an end		
Democracy		
Inequality	10	
Home ownership	3	3
Economic reference	4/6	1/9
- <i>Jobs</i>		4
- <i>Small and middle bussines</i>	2	4
Double taxation		
Socialism		
Communism		
Capitalism		
<i>Dissatisfaction and suspicions</i>	24	11
Dissatisfaction		
Philantropy		
State budget	7	4
Corruption		
(Privileged) rich	7	3
(Privileged) business assets	2	
<i>(Privileged) family foundation</i>	8	4
<i>Envy and resentment</i>	1	
Principle of justice		
Envy		
State grudged	1	
<i>Property preservation</i>	16	11
Principle of equality	3	
Property principle	2	3
<i>Property building</i>	6	7
Types of income	1	
Foreign dimension	4	1

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	30	53	12	20
Strong	23-29	40-42	9-11	15-19
Moderate	8-22	14-39	3-8	5-14
Weak	1-7	1-13	1-2	1-4

Figure 4.22: Narratives (as % of total) forming RONS pro and contra of German political elite, 1973-1974

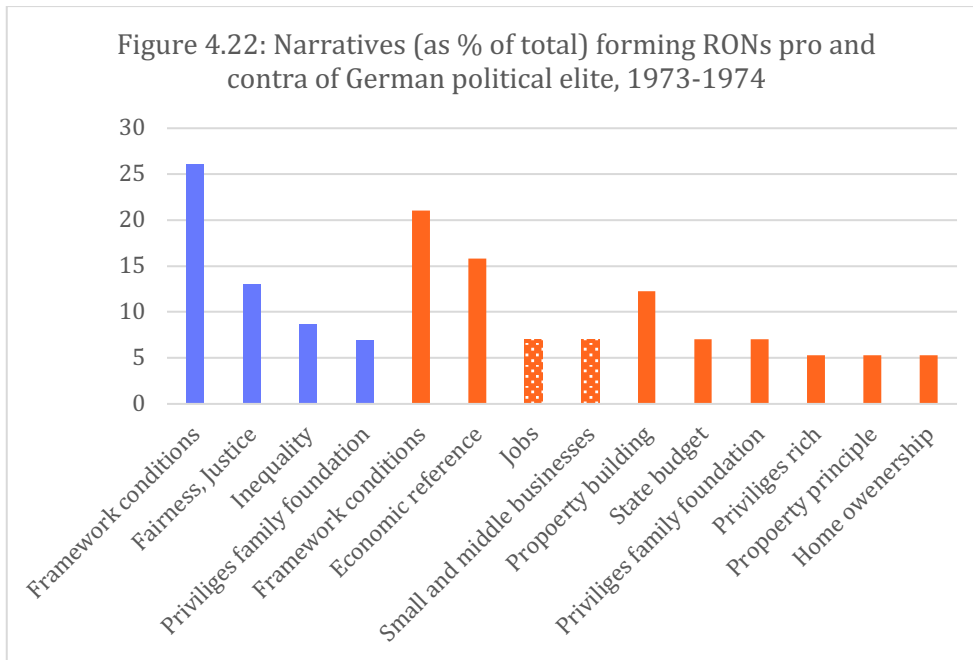
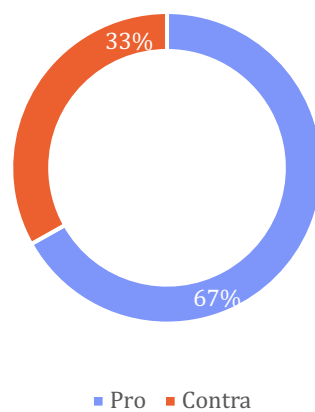


Figure 4.23: Share of pro and contra narratives as % of total of German political elite, 1973-1974



4.2.12 Paradigm in the 1990s until Today: Neoliberalism – the State has to Wait until the Citizen Consumes

The leap into the 1990s is a leap into the neoliberal paradigm. According to David Harvey, neoliberalism is

"in the first instance a theory of political economic practices that proposes that human well-being can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices [and] must also set up those military, defense, police, and legal structures and functions required to secure private property rights and to guarantee ... the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary." (Harvey 2005, 2)

The two most prominent representatives of neoliberalism are August von Hayek (1899-1922) and Milton Friedman (1912-2006). Their theories, in turn, were based on the works of Ludwig von Mises (1881-1973), whose family, incidentally, was elevated to the peerage by Emperor Franz Joseph I. Von Mises's private seminar in Vienna, which he held from 1920 to 1934, is considered the "original cell" and starting point of the Mont Pèlerin Society think tank (Heller and Sagvosdkin 2020, 17).²⁰¹

Within this political economic theory, the relationship between state and economy is calibrated, according to which "nations exist to sustain economies rather than the other way around" (Luttwak 1999, 4). Two levels can be distinguished, as implied by the definitions: Neoliberalism signifies an "economization of the political [...] An encroachment of market imperatives on the political that takes place in material (political decisions, output) and immaterial (political justification) ways" (Wiedemann et al. 2013, 100). The immaterial is understood as the discursive: "Neoliberalism has, in short, become hegemonic as a mode of discourse" (Harvey 2005, 3) and as such, it has permeated our way of thinking (Lepenies 2022, 19). In the context of this thesis, the narratives of most interest are those that ground the political and thus legitimize the generally binding decisions.

²⁰¹ On the origins and genesis of neoliberalism, see Quinn Slobodian "Globalists. The End of Empire and the Birth of Neoliberalism" (2018); for a solid overview of neoliberalism, see David Harvey in "A Brief history of Neoliberalism" (2005); on the relationship between neoliberals from the United States and Switzerland and German ordoliberalists in their early days, see Stefan Kolev et al. (2014); Emmanuel Saez and Gabriel Zucman show in "The Triumph of Injustice" how neoliberalism changed tax policy in the US; on the "market-foundational metanarrative and its importance in economics", see Hannah Heller and Valentin Sagvosdkin (2020).

It is important to understand – even if this may seem trivial at first – that neoliberalism, as I understand it, does not follow a binary logic, yes or no, 0 or 1. The matter is one of degree. This may also explain why there is scholarly debate about whether individual politicians (such as Angela Merkel, see Krahé 2022, 139), some parties (such as the SPD, see Nachtwey 2009, 246-247), or the economic and financial policies of the country as a whole can be classified as neoliberal at all.

For the assessment of this paper, an addition to the definition is important especially in distinction to Ordoliberalism and Keynesianism as I defined them before. In order to analyze the continuities, changes, and ruptures of the narratives against the background of taxes in general and the inheritance tax in particular, I would like to expand the definition of neoliberalism, aligned with the main concepts of this paper: Neoliberalism understands inequality as economically necessary (Wolter 2016, 191), but not as a political phenomenon, nor as a problem, let alone a political problem. In doing so, it places the outcome of inequality on the individual's own responsibility and, as a result, tends to disregard structural factors. For neoliberalism, competition counts instead of cooperation, individualism instead of society, and taxes are understood as a burden instead of the most democratically potentially powerful instrument.

According to Marc Buggeln, "[t]he ordo- and neoliberal traditions of German economics ... experienced a rapid renaissance" (Buggeln 2022, 708). Starting as early as the late 1970s, leading politicians across all parties turned away from Keynesian and demand-side models. The FDP completed its change of course with the Kiel Theses in 1977 (FDP 1977), and the CDU with its basic program in 1978 (CDU 1978). In the years leading up to the 16-year Kohl era, which began in 1982, the SPD tried in some places to bring about redistribution through tax reforms (in income tax, corporate income tax, and inheritance tax). However, according to Herrmann Adam (2020, 250-253), the SPD did not succeed in gaining acceptance and achieving significant redistribution.

In 1982, when continuing tensions in the social-liberal coalition under Chancellor Helmut Schmidt (1974-1982) could no longer be overcome, the four FDP ministers resigned on September 17, 1982. On the same day, Schmidt resigned from the existing coalition of the SPD and FDP, which had already existed in this coalition under Willy Brandt since 1969. Another two weeks later, on October 1, 1982, Chancellor Schmidt was voted out of office by a constructive vote of no confidence, and Helmut Kohl and his CDU/CSU entered into a coalition with the FDP.

Under Helmut Kohl, the German government finally switched from a demand-oriented to a supply-oriented policy. In line with the so-called trickle-down effect – the assumption that by reducing taxes, companies would have to be given more funds to invest in jobs as well (see Stiglitz 2015, 1-2) – the aim from then on was to reduce taxes from the point of view of economic growth. Between 1983 and 1994, several tax reforms brought about reductions: among other things, the top income tax rate was lowered from 56 to 53 percent; the corporate income tax rate was first reduced from 56 to 45 percent in 1985, and in three further steps in 1986, 1988, and 1990 to 30 percent (for an overview, see Adam 2020, 250-253).

These cuts were still quite moderate compared to the tax reforms from the mid-1990s onward. The reason for this may have been that there were many strong politicians within the CDU/CSU who opposed and resisted these cuts, including Norbert Blüm, Heiner Geißler, and the state premiers Bernhard Vogel, Ernst Albrecht, and Uwe Barschel. For them, the reduction of the top income tax rate by 3 percentage points already represented a "humiliation for the CDU as a party of the people" (Blüm, *Spiegel* 1987). Another reason was the cost of reunification, which Kohl felt had to be borne first before tax cuts moved up the political agenda alongside deregulation of the labor market (Buggeln 2022, 909).

There has also been a strongly pronounced neoliberal shift in tax law. Thus, Buggeln shows how a paradigm shift took place within the Federal Constitutional Court (*Bundesverfassungsgericht*, BVerfGE) and emerged since the mid-1980s. Particularly significant for this turn were the tax law scholar Klaus Tipke and his students as well as Joachim Lang of the so-called Cologne School, who succeeded in orienting tax justice toward the individual and his or her performance, which was to be spared as much as possible. As a logical consequence, direct taxes should be lowered and indirect taxes (especially in the form of value-added tax; in 1983 at 14 percent, in 1993 at 15, in 1998 at 16, since 2007 at 19 percent) should be raised. I would like to mention the part quoted by Marc Buggeln, because it shows the most important aspect of this new way of thinking and interpreting tax law:

"If, however, society is to be conceived as free and individualistic [...] as possible [...], then the state has to wait until the citizen consumes. [...] This makes the tax system conducive to saving and investment; it allows for the creation of private wealth, rewards economic prowess and provision for the future." (Tipke and Lang 2021, here cited after Buggeln 2022, 805-806)²⁰²

This new orientation is also based on the ruling of the Federal Constitutional Court in 1995, according to which – and this was new – the tax quote for those with the highest incomes should not exceed 50 percent in the case of direct taxes (Buggeln 2022, 805). In an interview, then Federal Constitutional Court Judge Paul Kirchhof was confronted with the impression that the Federal Constitutional Court determined the guidelines of tax policy and shaped tax law more actively than the legislature, especially because it set a limit of 50 percent for the total tax rate for the first time (*Zeit* 1995). The impression, Kirchhof said, was deceptive. Obviously, according to the journalist, there were differing views on this at the Federal Constitutional Court; for the constitutional judge Ernst-Wolfgang Böckenförde, as the journalist noted, criticized in his special opinion that this decision prevented any redistribution. In 1996, the CDU/CSU and FDP took advantage of this ruling by the Federal Constitutional Court to justify the suspension of the wealth tax.

²⁰² "Soll jedoch die Gesellschaft möglichst freiheitlich und individualistisch [...] konzipiert sein [...], dann hat der Staat abzuwarten, bis der Bürger konsumiert. [...] Dadurch wird das Steuersystem spar- und investitionsfreundlich; es lässt die Bildung privaten Wohlstands zu, belohnt ökonomische Tüchtigkeit und Vorsorge für die Zukunft."

When the CDU/CSU-led government was replaced by Gerhard Schröder and his SPD in 1998, this by no means meant a departure from neoliberal tax policy. *Au contraire*:

"After the Red-Green majority in the Bundesrat had still prevented a comprehensive tax cut by the conservative-liberal coalition, the Red-Greens implemented it themselves after Gerhard Schröder took over the chancellorship." (Buggeln 2022, 909-910)²⁰³

What followed were reductions in the corporate tax rate, initially from 30 to 25 percent in 2001 and then from 25 to 15 percent in 2008 (see *Steuermythen* 2019, 13-14); in 2007, reductions were made to the top income tax rate by eleven percentage points, from 53 to 42; and taxes on capital gains have been taxed flat at 25 percent since 2009 instead of progressively at up to 42 percent. The then SPD finance minister, Peer Steinbrück (2005-2009), justified this step with the casual saying that it was "better to have 25 percent of X than 42 percent of nothing" – because previously the income from capital gains had flowed abroad (SZ 2010).

This development fits in with the SPD's tax policy assessments, which had been announced in its 1994 election program. There, in the section on wealth-related taxes, it was stated that it was clear that

"the operating assets of companies must not be burdened more if more jobs are to be created. Jobs and investment have priority... Only if tax revenues are improved and the costs of unemployment are reduced by strengthening the forces of growth can a thoroughgoing consolidation of public finances succeed." (SPD 1994, 61)²⁰⁴

This statement could also be found in exactly this formulation in a textbook on trickle-down economics. The election program went on to say:

"We will implement consistent cost-cutting measures, e.g., by reducing bureaucratic rigidities, by cutting personnel expenses, by privatizing tasks that are still performed by the state but can be better performed by private parties." (SPD 1994, 62)²⁰⁵

Since German reunification, especially from the mid-1990s onward, the various cabinets pursued neoliberal fiscal policies. In my view, there was no paradigmatic difference between the CDU- and SPD-governed years.

²⁰³ "Nachdem die rot-grüne Mehrheit im Bundesrat eine umfassende Steuersenkung durch die konservativ-liberale Koalition noch verhindert hatte, führte Rot-Grün diese nach der Übernahme der Kanzlerschaft durch Gerhard Schröder selbst durch."

²⁰⁴ "das Betriebsvermögen der Unternehmen nicht stärker belastete werden darf, wenn mehr Arbeitsplätze geschaffen werden sollen. Arbeitsplätze und Investitionen haben Vorrang... Nur wenn durch eine Stärkung der Wachstumskräfte die Steuereinnahmen verbessert und die Kosten der Arbeitslosigkeit verringert werden, kann eine durchgreifende Konsolidierung der Staatsfinanzen gelingen."

²⁰⁵ "Wir werden konsequente Sparmaßnahmen durchführen, z.B. durch Abbau bürokratischer Verkrustungen, durch Einsparungen bei den Personalausgaben, durch Privatisierung der Aufgaben, die noch von Staat erfüllt werden, aber von Privaten besser wahrgenommen werden können."

The same applies in the realm of economic policy advice, as Jens-Ole Köhrsen sums up on the basis of his analysis of economic policy reports (by the *Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*, SVR and *Gemeinschaftsdiagnose*, GD) and in the wake of the global economic crisis of 2008/2009: "Neither had an economic policy paradigm shift occurred [between 1990 and 2009], nor was there any sign of one" (Köhrsen 2011, 70). Sebastian Botzem and Judith Hesselmann show how the German Council of Economic Experts (*Sachverständigenrat für Wirtschaft*, SVR) became the guardian of the grail of (ordo)liberalism over the decades (Botzem and Hesselmann 2019). Since its founding in 1963, the SVR has played an important role in shaping and guiding economic and fiscal policy in the Federal Republic of Germany. Conflict within the five-member advisory body between demand- and supply-oriented members is primordial; differences of opinion have repeatedly manifested themselves in minority votes over the years of its existence (Botzem and Hesselmann 2018, 409-410).

Botzem and Hesselmann distinguish "union-nominated SVR members, who generally held Keynesian positions," and monetarist representatives, who were more free-market ordoliberal. Moreover, the two authors also indicate the entanglement of the SVR and the Bundesbank: "In addition to departures due to conflicts over the role of the Council and its basic economic policy positions... [four Council members] left the Council to take up positions within the Bundesbank" (ibid. 410). Both at universities and within the SVR, Keynesian beliefs have "lost ground since the mid-1970s" (Botzem and Hesselmann 2018, 411).

Individual members in the SVR stood out for their particularly diverse networking activities. These include Gerhard Fels, who was detrimental in the SVR's supply-side turn in the 1970s and served on the SVR from 1976 to 1982. Fels was involved in a particularly large number of organizations, such as the Ludwig Erhard Foundation, the New Social Market Economy Initiative (*Initiative Neue Soziale Marktwirtschaft*, INSM), and the Mont Pèlerin Society, and was also a founding member of the Kronberg Circle (ibid., 423-424). Lars P. Feld, who was a member of the SVR from 2011 to 2021, is also active in various organizations dedicated to safeguarding and disseminating ordoliberal beliefs: Feld is a board member of the Walter Eucken Institute, a member of the Kronberger Kreis, belongs to the *Aktionsgemeinschaft Soziale Marktwirtschaft*, is active in the Ludwig Erhard Foundation, and maintains lasting international contacts. In addition, Lars P. Feld has been a member of the Scientific Advisory Board of the German Federal Ministry of Finance since 2003. The (ordo)liberal networks surrounding the Council of Economic Experts, Botzem and Hesselmann sum up, are pronounced:

"Since the appointment of Lars P. Feld by Economics Minister Rösler (FDP) in 2011, two out of the five SVR members have been acting members of the Kronberg Circle... [which strives for] 'a renaissance of regulatory thinking in Germany and Europe – guided by the

conviction that the market can produce more freedom and prosperity for society than state action'." (Botzem and Hesselmann 2018, 422)²⁰⁶

In politics, the judiciary, and consulting, the neoliberal orientation and supply-side policy formed a consistent, hegemonic paradigm.

4.2.13 Inheritance Tax Laws 1995 to 2016: Social is what Creates Work – Business Assets are Spared

Between 1995 and 2016, there were three rulings by the Federal Constitutional Court and three corresponding reforms of the inheritance and gift tax. The reforms tended in only one direction: the inheritance tax was weakened.

1996: For the first time, business assets are spared

The changes that accompanied the 1996 inheritance tax reform were far-reaching (ErbStG 1996, see BGBl 1997).²⁰⁷ Probably the most important innovation was the special treatment of business assets under §§ 13a and 19: Not only was the tax rate only set above an allowance and applied at only 60 percent, but the progression by degree of kinship was also suspended. In the following, I will consider the most relevant changes against the background of the research interest of this thesis.

An important change was with regard to real estate: According to §12, an innovation was made for the valuation of real estate. Importantly, real property was no longer to be assessed according to uniform value (*Einheitswert*, until then, that of 1965), but according to real property value (*Grundbesitzwert*, §12(3)). Section 13 regulated the tax exemptions, which were increased and worded somewhat differently; in essence, they were increased. Tax exemptions for household effects, for example, increased from 40,000 to 80,000 marks for persons in tax category I.

The most important change, in my opinion, is the new §13a regarding the "Recognition of business assets, agricultural and forestry assets and shares in corporations as defined in paragraph 4" remained exempt from tax up to 500,000 marks (§13a(1)). In addition, the remaining value of the assets above the exemption amount was to be assessed at 60 percent (§13a(2)). The exemption

²⁰⁶ "Seit der Ernennung von Lars P. Feld durch Wirtschaftsminister Rösler (FDP) im Jahr 2011 sind jeweils zwei der fünf SVR-Mitglieder amtierende Mitglieder des Kronberger Kreises... [der sich um] 'eine Renaissance ordnungspolitischen Denkens in Deutschland und Europa [bemühe] – geleitet von der Überzeugung, dass der Markt für die Gesellschaft mehr Freiheit und Wohlstand hervorbringen kann als staatliches Handeln'."

²⁰⁷ For all amendments, see BGBl 1996, Part I, No. 68, of December 27, 1996, Article 2, Amendment to the Inheritance and Gift Tax Act, 2055. On February 27, 1997, the new version of the Inheritance and Gift Tax Act was published on the basis of the Act which had been in force since December 28, 1996.

amount and the reduced valuation were subject to the condition that the business assets were held for five years (§13a(5)).

Section 13a was also supplemented by §19a: If the inheritance or gift involved assets in the form of business assets, agricultural and forestry operations, or shares in corporations, these were treated differently. Irrespective of the degree of relationship, the residual amounts of these assets would be paid according to tax class I – after the allowance and the determination of the reduced valuation (§19a(4)). In addition, there were the extended deferrals §28(1) for business assets, which were increased from seven to ten years.

In addition, §29(1)No.4 newly regulated under "Expiration of the tax in special cases" that the tax expires if it concerns assets that are "donated to the federal government, a state, a domestic municipality or a domestic foundation that ... exclusively and directly serves scientific or cultural purposes to be recognized as charitable."

Beyond the new regulations for business assets, the tax classes, allowances, and tax rates are also important: The tax classes (§15) have been merged into three classes.

- Tax class I: Spouse, children and stepchildren, grandchildren, parents, and grandparents in case of acquisition upon death.
- Tax class II: Siblings, nieces and nephews, stepparents, children-in-law, parents-in-law, divorced spouses, parents and grandparents if *not* in case of acquisition upon death.
- Tax class III: All other acquirers and special purpose grants.

The tax-free allowances (§16) for spouses were increased to 600,000 marks, for children to 400,000 marks; for all other persons in tax class I, the tax-free allowances were increased to 100,000 marks. Persons in tax class II received tax-free allowances in excess of 20,000 marks, and tax-free allowances of 10,000 marks applied to dependents in tax class III.

With regard to the better position of spouses and children, it is also important to note the pension allowance under §17, which was increased to 500,000 marks for spouses; the amounts for children doubled in each of the five age brackets, ranging from 20,000 to 100,000 marks.

Tax rates under §19 started somewhat higher for tax classes I and II, and somewhat lower for tax class III, at 7, 12, and 17 percent, respectively (instead of 3, 6, 11, and 20), for assets up to 100,000 marks. Overall, the resulting tax rates were lower and have only grown less in larger steps.

Figure 4.24: Tax rates according to the inheritance tax law in Germany, 1996

**„§ 19
Steuersätze**

(1) Die Erbschaftsteuer wird nach folgenden Vomhundertsätzen erhoben:

Wert des steuerpflichtigen Erwerbs (§ 10) bis einschließlich ... Deutsche Mark	Vomhundertsatz in der Steuerklasse		
	I	II	III
100 000	7	12	17
500 000	11	17	23
1 000 000	15	22	29
10 000 000	19	27	35
25 000 000	23	32	41
50 000 000	27	37	47
über 50 000 000	30	40	50

Source: BGBl 1996, 2059.

2007 to 2009: The birth of Cash GmbHs and tax-free family homes

On November 7, 2007, the Federal Constitutional Court ruled that the levying of inheritance tax was in part incompatible with the Basic Law, i.e. unconstitutional (BVerfG 2007). The levying of inheritance tax under §19(1) raised problems because the "determination in the case of significant groups of assets (business assets, real property, shares in corporations and agricultural and forestry businesses) does not satisfy the requirements of the principle of equality" (ibid.). Assets were undervalued under the valuation rules and should be reorganized accordingly.

Approximately one year after the ruling of the Federal Constitutional Court, a reform of the inheritance tax was passed on December 24, 2008, and came into force on January 1, 2009 (ErbStG 2008, see BGBl 2008). The changes for the ErbStG were extensive. On the one hand, they concerned business assets, which were further protected; on the other hand, they concerned the allowances and tax rates in the tax brackets.

Section 13a, introduced in 1997, was amended: "1) The value of business assets, agricultural and forestry assets and shares in corporations ... shall not be taken into account as a whole (*Verschonungsabschlag*). The prerequisite is that the sum of the relevant annual wage totals (§13a(4)) of the business within seven years after the acquisition (payroll period) does not fall below a total of 650 percent of the initial payroll (minimum payroll)." This provision applied to establishments with more than ten employees. The retention period of seven years was regulated in §13a(5).

In addition, §13b defined beneficiary assets. According to §13b, 85 percent of the defined business assets were exempt. Sections 13a and 13b together could be used to either exempt business assets at 85 percent if the payroll was held at 650 percent for seven years, or business assets could be spared at 100 percent if the payroll was held at 1,000 percent for ten years (§13a(8)). The part of business assets that did not fall within the definition under §13b was not taxed up to 150,000 euros (deduction amount, §13a(2)) and was subject to tax at 50 percent above this amount.

Another tax exemption was regulated in §13(1)(4c): Family homes were tax-exempt if "the acquisition on account of death" goes to children (or to grandchildren if the children have already died), the apartment is no larger than 200 square meters, and the apartment is "immediately intended for own residential purposes." Thus, as long as the property was not a large villa intended to continue as a family home, inheritance and gift taxes did not apply, "grandma's little house" was no longer taxed. In addition, according to the new §13c, developed land was assessed at 90 percent of its value, and the inheritance tax due on it could be deferred for ten years on application, according to the new §28(3), "insofar as he can only raise the tax by selling this property."

Another important change concerned the tax-free amounts (§16), which were increased: For spouses and also civil partners, the allowances were increased to 500,000 euros, for children to 400,000 euros, grandchildren to 200,000 euros, other persons in tax class I received allowances above 100,000 euros; persons in tax classes II and III were exempted 20,000 euros. In addition, there was the pension allowance, which was increased to 256,000 euros for spouses.

The tax rates in the tax classes were also changed: In tax class I, it remained at 7 percent at the start, but up to 75,000 euros instead of 100,000 euros; a 30 percent tax rate now longer applied above 26 million euros instead of above 50 million euros. Tax classes II and III had the same percentages, starting at 30 percent up to 6 million euros, above which they were at 50 percent.

As part of the so-called Growth Acceleration Act (*Wachstumsbeschleunigungsgesetz*), amendments were made to the Inheritance Tax and Gift Act in Article 6 (BGBl 2009). The amendments related to paragraphs 13, 19 and the tax rates. In Paragraph 13, the wage sum period was lowered from seven to five years, and the minimum wage sum from 650 to 400 percent. Henceforth, the regulation was to apply to businesses with more than 20 employees. The business assets could be spared 100 percent if the wage total was held at 700 rather than 1000 percent for seven years instead of ten years (Section 13a(8)).

The tax rates in paragraph 19 were changed for tax class II: instead of 30 percent up to 6 million euros and 50 percent above, the tax rate started at 15 percent up to and including 75,000 euros and was 43 percent for over 26 million euros. Paragraph 19 was amended so that the relief amount was expanded. The relief amount (*Entlastungsbetrag*) is deducted on the acquisition of business assets, agricultural and forestry operations and shares in corporations. It is relevant for heirs and donees from tax classes two and three; parts of the assets can be calculated according

to tax class I. The relief amount is then the difference between the actual tax class (II or III) and the tax due (according to tax class I).

Figure 4.25: Tax rates according to the inheritance tax law in Germany, 2008

§ 19 Abs. 1 wird wie folgt gefasst:

„(1) Die Erbschaftsteuer wird nach folgenden Prozentsätzen erhoben:

Wert des steuerpflichtigen Erwerbs (§ 10) bis einschließlich ... Euro	Prozentsatz in der Steuerklasse		
	I	II	III
75 000	7	30	30
300 000	11	30	30
600 000	15	30	30
6 000 000	19	30	30
13 000 000	23	50	50
26 000 000	27	50	50
über 26 000 000	30	50	50“.

Source: BGBl 2008, 3026.

Figure 4.26: Tax rates according to the inheritance tax law in Germany, 2009

§ 19 Absatz 1 wird wie folgt gefasst:

„(1) Die Erbschaftsteuer wird nach folgenden Prozentsätzen erhoben:

Wert des steuerpflichtigen Erwerbs (§ 10) bis einschließlich ... Euro	Prozentsatz in der Steuerklasse		
	I	II	III
75 000	7	15	30
300 000	11	20	30
600 000	15	25	30
6 000 000	19	30	30
13 000 000	23	35	50
26 000 000	27	40	50
über 26 000 000	30	43	50“.

Source: BGBl 2009, 3953.

2014 to 2016: Wealth inequality criticized on the one hand, need for sparing test on the other

On December 17, 2014, the First Senate of the Federal Constitutional Court declared §§ 13a, 13b, and 19(1) unconstitutional.

"The privileging of business assets is ... disproportionate insofar as it extends beyond the scope of small and medium-sized enterprises without providing for a needs test. Also disproportionate are the exemption of businesses with up to 20 employees from compliance with a minimum wage amount and the exemption of business assets with an administrative asset share of up to 50 percent." (BVerfG 2014)²⁰⁸

According to the ruling of the BVerfG, the "regulations as a whole were incompatible with Article 3(1) of the German Basic Law" (ibid.). There was no objection to the fact that business assets were being spared; the legislator certainly had "a great deal of leeway in assessing which objectives it considers worthy of support" (ibid.). However, even with these considerations, the legislator is bound by the principle of equality. Sections 13a and 13b were declared unconstitutional, which is highly relevant, as "more than one third of the assets transferred free of charge in the years 2009 to 2012 [were] exempted from inheritance tax via [these sections]" (ibid.).

In addition to the reasoning based on Article 3 of the Basic Law, there was a special vote by three judges with reference to Article 20 of the Basic Law. Thus, for the first time, the Federal Constitutional Court used the principle of the welfare state in reaching its verdict – aspects that had been relegated to the background for many years were now of great interest. The "dissent[ing] opinion of Judges Gaier and Masing and Judge Baer" states:

"We agree with the decision but are of the opinion that a further element belongs to its justification: the welfare state principle of Article 20(1) of the Basic Law. It further secures the decision and only makes its justice dimension fully visible. The inheritance tax not only serves to generate tax revenue, but is at the same time an instrument of the welfare state to prevent wealth from accumulating in the hands of a few down the generations and from growing disproportionately solely on the basis of origin or personal ties."

(BVerfG 2014)²⁰⁹

²⁰⁸ "Die Privilegierung betrieblichen Vermögens ist ... unverhältnismäßig, soweit sie über den Bereich kleiner und mittlerer Unternehmen hinausgreift. Ebenfalls unverhältnismäßig sind die Freistellung von Betrieben mit bis zu 20 Beschäftigten von der Einhaltung einer Mindestlohnsumme und die Verschonung betrieblichen Vermögens mit einem Verwaltungsvermögensanteil bis zu 50%."

²⁰⁹ "Wir stimmen der Entscheidung zu, sind aber der Ansicht, dass zu ihrer Begründung ein weiteres Element gehört: das Sozialstaatsprinzip des Art. 20 Abs. 1 GG. Es sichert die Entscheidung weiter ab und macht ihre Gerechtigkeitsdimension erst voll sichtbar. Die Erbschaftsteuer dient nicht nur der Erzielung von Steuereinnahmen, sondern ist zugleich ein Instrument des Sozialstaats, um zu verhindern, dass Reichtum in der Folge der Generationen in den Händen weniger kumuliert und allein aufgrund von Herkunft oder persönlicher Verbundenheit unverhältnismäßig anwächst."

The Inheritance and Gift Tax Adjustment Act of November 4, 2016, responded to the case law of the Federal Constitutional Court (ErbStG 2016, see BGBl 2016). Section 13a was supplemented and an acquisition of favored assets capped at 26 million euros (§13a(1)). The wage sum deadline was reduced to five years, and the minimum wage sum could now not fall below 400 percent in total. Smaller minimum wage amounts were set on a graduated basis for smaller companies (§13a(3)No.2).

The reform also aimed to put a stop to so-called cash GmbHs, which experienced a trend after the last reform of inheritance tax in 2008: By founding a GmbH – *Gesellschaft mit beschränkter Haftung*, Germany's most widely used business form – , non-preferred private assets could be transferred to a GmbH, would thus be considered preferred business assets and would be given privileged treatment from inheritance and gift tax. An end was to be put to the formation of these cash GmbHs: "In the case of a business split, the payroll totals and the number of employees of the holding company and the operating company are to be added together" (§13a(3)No.5).

The 85 percent exemption discount could amount to 100 percent if the payroll tax period and retention period were set at seven years (§13a(10)). A new addition is the naming of items, such as "works of art, art collections, scientific collections, libraries and archives, coins, precious metals and precious stones, stamp collections, vintage cars, yachts, gliders and other items typically used for private living", which should be counted as administrative assets and thus taxed.

Section 13c caps business assets above the value of 26 million "by one percentage point for each full 750,000 euros...exceeding the amount of 26 million". The maximum amount is capped at 90 million euros, above which "a tax exemption deduction is no longer granted" (§13c(1)). Also important in this regard was §13b(7), according to which the administrative assets "shall be treated as preferential assets to the extent that [the net value of the administrative assets] does not exceed 10 percent of the fair market value of the business assets reduced by the net value of the administrative assets."

Even more significant, however, was §28a, which governed the exemption needs test. According to this, the tax on acquisitions in excess of 26 million euros could be waived "insofar as [the heir] proves that he is personally unable to pay the tax out of his available assets". The retention period was seven years (§28a(4)No.2); the tax would also be due if the heir "receives further assets ... constituting disposable assets ... within ten years of the date on which the tax arose," i.e. if the heir could pay the tax from his own resources after all.

4.2.14 Interpretation of the Legislative Changes and Analysis of Narratives 1995 to 2016

Even though there were changes in government between 1995 and 2016, the line of development with regard to inheritance tax reforms remained the same. This should hardly be surprising given the persistent paradigm. From 1995 to 1997 under Chancellor Helmut Kohl and Finance Minister Theo Waigel (CDU and CSU, respectively), and from 2006 to 2008 under Angela Merkel and Peer Steinbrück (CDU and SPD, respectively), as well as under Merkel and Wolfgang Schäuble (both CDU) from 2014 to 2016, the inheritance tax was weakened further and its redistributive, progressive effect eroded.

There were representatives in the CDU/CSU who wanted to abolish the inheritance tax completely²¹⁰ and received support from the *Arbeitsgemeinschaft Selbständiger Unternehmer e.V.* (ASU) and *Stiftung Familienunternehmen*²¹¹; those Christian Democrats who shaped the three reforms and were against its abolition have prevailed. However, the CDU/CSU alone would not have been able to implement any reforms. In order to achieve a successful reform of the inheritance tax, the approval of the Bundesrat (upper house of parliament) and thus sometimes of the opposition parties is also necessary – and was also consistently granted by the SPD and the FDP.

The bulk of the FDP has been opposed to keeping the inheritance tax, but there were also quite prominent voices that placed start-up equity at the center of their considerations – such as Martin Matz, state chairman of the Berlin FDP. In a *Streitfrage* (controversial issue) in the *Wirtschaftswoche* of October 24, 1996, Matz took the pro position against Friedrich-Adolf Jahn, president of the *Zentralverband der Deutschen Haus-, Wohn- und Grundeigentümer*. According to Matz, inheritances are "just as much an income or inflow of funds as wages and salaries. ... It is therefore difficult to explain why salary payments are burdened with high taxes and duties and why inheritance tax should be anti-performance" (*Wirtschaftswoche* 1996). According to its narratives and especially at the level of the Bundesrat, the SPD in particular was actually in favor of strengthening the inheritance tax. However, according to their voting behavior when the reform laws were passed and the overall analysis, I place the SPD in the contra camp.

Oliver Nachtwey would probably come to a different assessment with regard to the SPD. In *Market Social Democracy. The Transformation of the SPD and the Labour Party* (2009), Nachtwey addresses the question of whether the Social Democrats should be assessed as neoliberal. According to Nachtwey, neoliberalism, as he understands it, is "a theory that theoretically rationalizes the interests of capital owners and transfers them into a *common good fiction*" (Nachtwey 2009, 247;

²¹⁰ "That is why many colleagues in the Union had the hope that we could abolish the inheritance tax... Many of us in the Union parliamentary group have repeatedly thought about whether and how we could abolish the inheritance tax altogether in order to simplify the tax system" (Rupprecht, CDU/CSU, BT 2008b, 20447, 20448).

²¹¹ The *Arbeitsgemeinschaft Selbständiger Unternehmer* (ASU) – the forerunner of *Die Familienunternehmer* – demanded the abolition of the inheritance tax on October 28, 1995 (Reuter, in SZ 1995, BT-P). Only two weeks later, on November 13, 1995, the ASU rowed back and demanded a special treatment of company assets (*HBL* 1995, BT-P).

italics by the author). With the Agenda 2010, the market-social political paradigm also prevailed in the SPD, and the social became embedded in the market (Nachtwey 2009, 261).

"But social democracy is not a party of capital; it is still, albeit diminishingly, a party of the other side, of organized labor." (Nachtwey 2009, 247)²¹²

I understand Nachtwey's assessment, especially in light of the comparison he draws with Margaret Thatcher. But in light of the narrative analysis of the inheritance tax, I am afraid I cannot share his position: Inheritance tax reforms, as I will show in detail below, had the effect of protecting the fortunes of the wealthiest in particular and increasing wealth inequality; the most commonly cited narratives revolved around jobs and thus an important and much served narrative in neoliberalism. Jobs were used to suggest that reforms were beneficial for the common good – a “common good fiction”, to use Nachtwey's concept, *par excellence* that was scientifically refuted in 2012. Interestingly, it was the Scientific Advisory Council at the Federal Ministry of Finance itself that highlighted in its expert report that the inheritance tax would not endanger jobs. The experts conclude that “[e]very serious threat to the existence of companies and jobs posed by the inheritance tax in the past ... is not confirmed empirically” (WB-BMF 2012, 11). The opposite is rather the case:

"Rather than preserving jobs, the favoritism practiced may actually entail job losses because the question of ownership structure is co-determined by tax considerations, and the role of skills and comparative advantage is relegated to the background."
(WB-BMF 2012, 11)²¹³

Nevertheless, as the (following) analysis shows, this narrative persisted even in the case of inheritance tax reform, while the findings of the report only attracted attention on the part of the left and were carried into the plenum. The positions of the individual parties in the mid-1990s already become clear in the report of the Finance Committee:

"With the votes of the coalition parliamentary groups [CDU/CSU and FDP] and the parliamentary group SPD against the group of the PDS, with the parliamentary group BÜNDNIS 90/DIE GRÜNEN absent, the committee adopted the proposal of the coalition parliamentary groups to tax the transfer of business assets and substantial shareholdings in corporations according to tax class I, irrespective of the degree of relationship."
(BT 1996b, 30)²¹⁴

²¹² "Aber die Sozialdemokratie ist keine Partei des Kapitals, sondern immer noch – gleichwohl schwindend – eine Partei der anderen Seite, der organisierten Arbeiterschaft."

²¹³ In its literature review, the OECD concludes that this narrative cannot be confirmed empirically and comes to the same conclusion as the Scientific Council regarding the potential threat to jobs (OECD 2021a, 59-60).

²¹⁴ "Mit den Stimmen der Koalitionsfraktionen [CDU/CSU und FDP] und der Fraktion SPD gegen die Gruppe der PDS bei Abwesenheit der Fraktion BÜNDNIS 90/DIE GRÜNEN hat der Ausschuss den Vorschlag der Koalitionsfraktionen angenommen, den Übergang von Betriebsvermögen und wesentlichen Beteiligungen an Kapitalgesellschaften unabhängig vom Verwandtschaftsgrad nach Steuerklasse I zu besteuern."

The contra group in the times of the neoliberal era was hegemonic beyond any doubt. The pro side was very weakly positioned compared to the contra camp. From the beginning, the parties that advocated strengthening the inheritance tax were in opposition and significantly outnumbered: from 1995 to 1997 and from 2007 to 2008, only the PDS/Left and BÜNDNIS 90/DIE GRÜNEN advocated strengthening the inheritance tax. At this point, I would like to openly admit that I find it difficult to assess BÜNDNIS 90/DIE GRÜNEN (hereinafter the Greens). In its voting behavior, the party has abstained on some occasions (e.g. in 1995 with regard to §19a), and on other occasions has agreed to projects that weakened the inheritance tax (§13a, see BT 1996b, 30). Taking into account the election programs and on the basis of narrative analyses of parliamentary debates, the Greens, in my estimation, tended to be in the pro camp from 1995 to 1997 and from 2006 to 2008. With the 2016 push to make the inheritance tax a flat tax, the Greens, in my estimation, fall into the camp of those who would weaken the inheritance tax in its progression and thus in its redistributive effect and potential reduction of wealth inequality. Moreover, in Winfried Kretschmann, Minister President of Baden-Württemberg since 2011, the Greens have a prominent proponent of inheritance tax reform under the grand coalition's plans at the forefront. In the years 2014 to 2016, therefore, only the Left was in favor of strengthening the inheritance tax.

But in turn, let us first look at the changes in the laws before turning to the narratives: In its ruling of June 22, 1995, the Federal Constitutional Court complained that §12 was unconstitutional; this concerned the valuation of real estate. The privileged treatment of real estate, which had previously been very high (depending on the property, the assessed values were between 9 and 13 percent of the actual, current value, *Spiegel* 1995, BT-P) was invalidated by the 1998 inheritance tax reform. In the course of the 1995-1996 reform, however, other far-reaching changes were made. Section 13a introduced privileges for business assets for the first time in the history of inheritance and gift tax. Section 19a eliminated the progression by degree of relationship for business assets. The changes in the tax rates had caused the progression to decrease. For comparison: in 1974, 18, 33, 46, and 60 percent applied to amount of 10 million marks for the four tax classes respectively; in 1996, 19, 27, and 35 percent applied for the three tax classes respectively. Whereas in 1974 the maximum rates over 100 million were 35, 50, 65, and 70 percent, in 1996 they were 30, 40, 50 and percent for amounts over 50 million.

When the Federal Constitutional Court ruled on January 31, 2007 that §19(1) was not compatible with Article 3 of the Basic Law because certain assets (in the form of business assets, real property, shares in corporations, and agricultural and forestry businesses) could be undervalued (keyword cash-GmbH), not only was this paragraph changed, but again further aspects were added. The tax allowances were further increased, even if the logic according to which these applied in the past was no longer given: Whereas the increases in the tax allowances had previously been justified by the increase in the value of real estate so that real estate could be inherited within the family as tax-free as possible, this was no longer necessary due to the tax exemption of family homes (§13(1)No.4c).

On December 17, 2014, the Federal Constitutional Court declared the existing inheritance tax unconstitutional for the third time since 1995. For the first time, not only Article 3 but also Article 20 of the Basic Law was used as justification. In doing so, the three judges Reinhard Gaier, Johannes Masing, and Susanne Baer drew attention to a phenomenon in concrete terms: the high level of wealth inequality in Germany. The press release stated, as heralded on page 228, that the inheritance tax not only served to raise tax revenues, but was also intended to prevent wealth from accumulating too much in a few hands over generations. It went on to say:

"The development of the actual distribution of wealth shows that this is also a challenge in terms of social reality. Whereas Böckenförde already pointed out in his special vote on the wealth tax for 1993 that 18.4% of private households had 60% of the total net financial assets at their disposal, this share was already in the hands of only 10% in 2007. Creating an equalization of otherwise entrenched inequalities is the responsibility of policymakers, - but not at their discretion. As the Senate has already emphasized for the equality test, the Constitution leaves the legislature a wide margin of discretion in this respect. However, because of its commitment to Article 20(1) of the Basic Law, it is subject to special justification requirements, the more those who are more efficient than others under market-economy conditions are exempted from this burden. The requirements developed in the decision help to ensure that exemption regulations do not lead to the accumulation and concentration of the greatest assets in the hands of a few." (BVerfG 2014)²¹⁵

In their ruling, Judges Gaier, Masing, and Baer cautioned that the richest 10 percent of the population had more than 60 percent of total net financial assets. And what is the current state of wealth inequality in Germany? According to the latest calculations by the DIW, the richest 10 percent of the population now have not 60 but 67 percent of total wealth (DIW 2020, 314).

It is true that the 2016 inheritance tax reform addressed some aspects that the Federal Constitutional Court had criticized in 2014; for example, it was newly introduced that businesses with fewer than twenty employees would also have to be examined to determine whether their business assets should be spared. But criticism that the reform was still unconstitutional remained loud.

Sections 13a and 13c set the exemption (for small and medium-sized business) at 26 million euros. Beyond this amount, exemptions should become lower, be reduced step by step. Exemptions

²¹⁵ "Dass hier auch in Blick auf die gesellschaftliche Wirklichkeit eine Herausforderung liegt, zeigt die Entwicklung der tatsächlichen Vermögensverteilung. Verwies schon Böckenförde in seinem Sondervotum zur Vermögensteuer für das Jahr 1993 darauf, dass 18,4 % der privaten Haushalte über 60 % des gesamten Nettogeldvermögens verfügten, lag dieser Anteil bereits im Jahr 2007 in den Händen von nur noch 10 %. Die Schaffung eines Ausgleichs sich sonst verfestigender Ungleichheiten liegt in der Verantwortung der Politik - nicht aber in ihrem Belieben. Wie der Senat schon für die Gleichheitsprüfung betont, belässt die Verfassung dem Gesetzgeber dabei einen weiten Spielraum. Aufgrund seiner Bindung an Art. 20 Abs. 1 GG ist er aber besonderen Rechtfertigungsanforderungen unterworfen, je mehr von dieser Belastung jene ausgenommen werden, die unter marktwirtschaftlichen Bedingungen leistungsfähiger sind als andere. Die in der Entscheidung entwickelten Maßgaben tragen dazu bei, dass Verschonungsregelungen nicht zur Anhäufung und Konzentration größter Vermögen in den Händen Weniger führen."

were to be given up to the threshold of 90 million; above this amount, exemptions were not to be granted. However, business assets of particularly wealthy heirs still receive privileged treatment. As a result, inheritance and gift tax above 10 million euros is not progressive as intended, but in practice regressive. Stefan Bach attributes this to the "excessive preferential treatment for company heirs" (*Spiegel* 2021).

This concession is made possible thanks to §§ 13b and 28a, which regulate what falls under favored assets (section 13b) and that the tax can be waived on application if the heir can be shown to be "needy" (*bedürftig im Sinne der Verschonungsbedarfsprüfung*) – a concept whose conditions are easy to create, as shown by federal government subsidy reports that Julia Jirmann analyzed in a study for the *Friedrich Ebert Foundation* (Jirmann 2022). According to Jirmann, the treasury is missing out on more than 5 billion euros a year: "That's how much the privileges of super-rich people in inheritance tax have cost us in Germany since 2009," as it says on the ticking inheritance tax clock that continuously shows how high the exemptions from inheritance tax are for the richest. Meanwhile, the subsidies amount to more than 77 billion euros (FES, as of 08/26/2023).

Excursus: Springer, Döpfner, and "needy" children

A prominent case that exemplifies well the exemptions from inheritance and gift tax is the Springer and Döpfner case. Friede Springer is the widow of the late media mogul Axel Springer, founder and owner of Axel Springer SE. With a turnover of 3.1 billion euros and over 18,000 employees (Website of Axel Springer SE, 08/26/2023), the company is one of the largest publishing houses in Europe. When Axel Springer died in 1985, he bequeathed a large part of his shares to his fifth wife Friede Springer. The shares made Friede a major shareholder with the stroke of a pen.

On September 24, 2020, Friede Springer and Mathias Döpfner made headlines when Friede Springer gave the CEO shares worth one billion (*FAZ* 2020a). On top, Döpfner made headlines by buying part of the shares directly from Friede Springer, namely 4.1 percent (*FAZ* 2020b). Then at the value of 62.42 euros per share, he paid around 276 million euros. At that time, he already held around 3 percent, to which he now added the approximately 15 percent shares as a gift. In this way, Springer and Döpfner now hold 24 and 22 percent respectively, together slightly more than the US financial investor *Kohlberg Kravis Roberts* (KKR), which acquired a total of around 44.9 percent in 2019, according to information on Axel Springer's website (Axel Springer SE, as of 08/26/2023).

The gift of 1 billion euros from Springer to Döpfner would, under the old law before the changes in the mid-1990s, mean tax revenues of around 500 million euros. But thanks to the reforms of recent years, Döpfner probably paid nothing. According to Juhn Partner (law firm for corporate tax law), this was made possible by §§ 13b and 28a of the Inheritance Tax Act (*ErbStG* 2016)

(Juhn Partner 2020). In order for the gift of Friede Springer's shares to remain tax-free, she had to hold at least 25 percent of the company, defined as a corporation based in Germany, according to ErbStG 2016 §13b(1)No.3. With her 42.6 percent shareholding prior to the gift, this circumstance was met.

According to §13a, the 85 percent or 100 percent exemption deduction would be reached at the upper limit of 26 million euros of business assets; amounts above this are governed by §13c. As already described, this paragraph melts down the maximum amount above 26 million to a maximum of 90 million euros. However, according to §28a, there is a sparing requirement test for assets that are defined as favored assets under §13b. This is the case with this donation and because of the high shares held by Friede Springer. Another condition is the assets of the recipient: if the heir or recipient has no disposable assets, he can apply for the tax to be waived. Since Döpfner only received preferential assets under §13b and his share package of 4.1 percent is also to be classified as preferential assets, Döpfner was able to apply for remission of the gift tax for the share package.

If Döpfner keeps the payroll constant over seven years and does not sell the shares, he will not have to pay taxes on the 1 billion euros share package. Without §28a, which was added to the inheritance tax reform in 2016, 500 million euros in taxes would have been due on this gift due to the amount and the (non-existent) degree of kinship. The Springer-Döpfner case is perhaps the best known, but by no means an exception. Another popular trick to avoid inheritance and gift tax is to make gifts to children, as they too are "needy." Between 2009 and 2020, 40 children under the age of 14 had corporate assets worth 33.3 billion euros transferred to them, 30 billion euros of which remained tax-free (Jirmann 2022, 3).

Gerhard Schick, former financial politician of the parliamentary group of the Greens, founder and chairman of the citizens' initiative *Finanzwende e.V.*, describes the dispute over the inheritance tax from 2014 to 2016 as "the biggest lobbying battle this republic has experienced... millions were used to save billions" (Finanzwende 2021, min. 0:07, 0:35).

Although the high wealth inequality in Germany was explicitly criticized by the Federal Constitutional Court in 2014, the inheritance tax was further weakened and further privileges for the richest in society were built in. As Norbert-Walter Borjans, former Finance Minister of North Rhine-Westphalia puts it: "We were pushed against the wall by the lobby" (FES 2022, min. 5:28)²¹⁶. In an interview, the Vice President of the Federal Fiscal Court Hermann-Ulrich Viskorf reported the reasons why he appealed to the Federal Constitutional Court in 2014. In his view, the possible full exemption of business assets and the structuring options for converting private assets into business assets have led to the further abolition of inheritance tax for large private assets. On the

²¹⁶ "Wir sind von der Lobby an die Wand gedrückt worden."

question of why there was no constitutionally compliant law despite the Federal Constitutional Court's monitions in 1995, 2006 and 2014, the judge has a clear assessment:

"There is no other type of tax where the legislature is so exposed to the influence and pressure of interest groups, and where intra- and inter-party antagonisms are so apparent, as in the case of the inheritance tax. The tax is heavily ideologically biased. Those segments of the population most affected by a noticeable inheritance tax and opposed to this redistributive effect of the tax are often those who contribute significantly to the financing of our parties and also have great intra-party influence." (*Stuttgarter Nachrichten* 2015)²¹⁷

But how were the privileges for business assets, the increased tax allowances of up to 500,000 euros, plus the pension allowances legitimized by the political elite as part of the three reforms?

Narrative analysis 1995 to 2016

Contra: It's all about job security

No other narratives were used as often as those that emphasized economic aspects, especially jobs.

"All economic and financial policy decisions these days must be guided by a single objective, namely whether they do justice to the preservation and creation of jobs, to the strengthening of Germany as a business location."

(Hasselfeldt, CDU/CSU, BT 1996c, 12040)²¹⁸

The gentle design of the inheritance tax within the framework of the Annual Tax Act 1997 would relieve the economy, while tax increases in general would endanger jobs (*ibid.*, 12041). Basically – this view is often clearly emphasized by the CDU/CSU but also by the FDP – "there are always burdens" (Rupprecht, CDU/CSU, BT 2008b, 20449). Above all, any proposals to increase wealth-related taxes were, according to Gerda Hasselfeldt of the CDU/CSU, "poison for the economy, poison for small and medium-sized businesses, poison for jobs" (*ibid.*, 12042). Business assets had to be given special consideration: "[t]he continuation of a business must not be jeopardized by the inheritance tax burden," according to Finance Minister Theodor Waigel (BT 1996c, 12060). The privileging of business assets was at the heart of the thinking behind the reforms from 1996 to 2016. Finance Minister Peer Steinbrück also stated this quite openly in 2008:

²¹⁷ "Es gibt keine andere Steuerart, bei der der Gesetzgeber dem Einfluss und dem Druck der Interessenverbände so sehr ausgesetzt ist und inner- und zwischenparteiliche Gegensätze so sehr zu Tage treten wie bei der Erbschaftsteuer. Die Steuer ist ideologisch stark vorbelastet. Diejenigen Bevölkerungskreise, die am meisten von einer spürbaren Erbschaftsteuer betroffen sind und sich gegen diese Umverteilungswirkung der Steuer wenden, sind häufig diejenigen, die maßgeblich zur Finanzierung unserer Parteien beitragen und auch großen innerparteilichen Einfluss haben."

²¹⁸ "Alle wirtschafts- und finanzpolitischen Entscheidungen müssen sich in diesen Tagen an einem einzigen Ziel orientieren, nämlich daran, ob sie der Erhaltung und Schaffung von Arbeitsplätzen, der Stärkung des Wirtschaftsstandorts Deutschland gerecht werden."

"There has never been – now I call it by its name – such an inheritance tax privilege for the inheritance of business assets in the history of the Federal Republic."
(Steinbrück, SPD, BT 2008b, 20455)²¹⁹

And in 2016, it was again stated that "Inheritance tax is primarily about securing jobs" (Seehofer, BR 2016c, 270). The narration of how jobs, business assets, and Germany as a business location were related has remained constant over the years. Fritz Güntzler (CDU/CSU) presents the connection as follows:

"Because here's the thing: When a business is transferred to the next generation, there are inheritance tax payments that have to be taken out of the business – via distributions or withdrawals. This puts the company at risk. From there, it also endangers jobs, ladies and gentlemen. Therefore, it [the inheritance tax reform] is not a gift to the entrepreneurs, but makes sense for economic reasons to make these business transfers tax-free in order to secure jobs in Germany." (Güntzler, CDU/CSU, BT 2016a, 17787)²²⁰

Although business assets would be spared, the beneficiaries would not be the wealthy who held the business assets, but the working people; it was about jobs in general. It seems out of place when Representative Güntzler (CDU/CSU) says that the debates on inheritance tax reform were too little about jobs (Güntzler, CDU/CSU, BT 2016a, 17787). In fact, no narrative was served more often: until his statement, jobs were argued 64 times in the explanatory memorandum alone (BR 2015), in the first consultation, the first adjustment by the *Bundesrat* (2015), and in the second consultation (BT 2016a). In all debates between 2014 and 2016, this narrative came up more often than any other, with 109 mentions. In total, I counted 180 mentions of from 1995 to 2016.

Not only jobs, but also small and medium-sized enterprises and especially family businesses were the focus of many speeches. "The inheritance tax," said Carl-Ludwig Thiele of the FDP, for example, "is purely a tax on small and medium-sized businesses. After all, no DAX company²²¹ has ever lost 1 cent of capital to inheritance tax" (Thiele, FDP, BT 2008a, 15107). In the German *Mittelstand*, in family-owned businesses, things are different: "In these families, the principle applies: the company comes before the family" (ibid.). Michael Meister of the CDU/CSU agrees with the previous speaker: "We are not talking now about anonymous corporations, but about companies whose owners have a social responsibility for their employees" (Meister, CDU/CSU, BT 2008a, 15108). Owner-managed businesses are "the core of our national economy ... Jobs in our society live from them" (Hirche, FDP, BR 2008a, 16). Family entrepreneurs are portrayed as the social actors of

²¹⁹ "Es hat – jetzt nenne ich es beim Namen – ein solches Erbschaftsteuerprivileg für die Vererbung von Betriebsvermögen in der Geschichte der Bundesrepublik bisher noch nicht gegeben."

²²⁰ "Denn es ist so: Wenn ein Unternehmen in die nächste Generation übertragen wird, kommt es zur Erbschaftsteuerzahlungen, die – über Ausschüttungen oder Entnahmen – aus dem Unternehmen entnommen werden müssen. Dies gefährdet das Unternehmen. Von daher gefährdet es auch Arbeitsplätze, meine Damen und Herren. Deshalb ist es [die Erbschaftsteuerreform] kein Geschenk an die Unternehmer, sondern aus volkswirtschaftlichen Gründen sinnvoll, diese Unternehmensübergaben steuerfrei zu stellen, um die Arbeitsplätze in Deutschland zu sichern."

²²¹ DAX is the abbreviation for *Deutscher Aktienindex* (German Share Index) and comprises the 40 largest German companies on the stock market.

German society, who "have long since not merely been employers [but] in many cases also take care of social issues and private problems" (Freiherr von Stetten, CDU/CSU, BT 2016c, 19200).

In many cases, narratives were also used that focused on the poor existing framework conditions. This was not only, and not primarily, about the need to comply with the case law of the Federal Constitutional Court. More often, the reforms were legitimized by saying that the special treatment of business assets was "the least bureaucratic thing we can do... We simply take a flat rate, which we deduct, or we take 85 percent and say: Here we no longer bother about the differentiation of productive assets from private assets and thus eliminate this tiresome bureaucratic effort," as Finance Minister Peer Steinbrück explained (BT 2008a, 15105). Politicians from the FDP, on the other hand (but also from other parties), also frequently addressed the framework conditions; in the opinion of Carl-Ludwig Thiele (FDP), the administrative burden and the costs of inheritance tax were disproportionate to the revenue (BT 2008a, 20443).

What was new in the debate on the inheritance tax was the open naming of and criticism of the lobby, as Steinbrück, for example, put it: "What is now taking place in connection with the inheritance tax reform in terms of lobbying, interest-driven denigration and misleading is in some cases very difficult to bear" (BT 2008a, 15106).

The tensions between the CDU/CSU and the SPD in particular became clear in the narratives that focused on performance. While politicians from the SPD emphasized that "people who receive something without their own performance ... make a contribution with the inheritance tax so that important tasks can be carried out in our society" (thus foregrounding the importance of the inheritance tax as a means to an end), politicians from the CDU countered that this view of free acquisition was "fundamentally wrong" (Florian Pronold from the SPD, Hans Michelbach from the CDU in an exchange in the BT 2008b, 20440):

"Inheritance is not an unproductive acquisition, as the leftists claim. No, inheriting means taking responsibility for what has been saved and created by parents or grandparents. Inheriting a company or a house means taking responsibility... This is our civic, conservative conviction, which we stand up for." (Rupprecht, CDU/CSU, BT 2008b, 20449)²²²

For this statement, Albert Rupprecht of the CDU/CSU was immediately criticized by Joachim Poß of the SPD with the interjection: "It is unconstitutional what you say!" (ibid.)

The SPD fluctuated in its assessments more than any other party, even within the party. Their speeches in the plenary in the Bundestag as well as in the Bundesrat are an expression of two very different positions. On the one hand, they are clear that "[t]he majority of wealth [is] not created

²²² "Erben ist kein leistungsloser Erwerb, wie die Linken behaupten. Nein, Erben heißt, Verantwortung für das von den Eltern oder Großeltern Ersparte und Geschaffene zu übernehmen. Ein Unternehmen oder ein Haus zu erben, heißt, Verantwortung zu übernehmen... Das ist unsere bürgerliche, konservative Überzeugung, für die wir einstehen."

by earning, but by distributing before anything has been earned. That's the reality."²²³ One would not counter the concentration processes by passing the reforms. Moreover, one would have liked to collect higher inheritance taxes in order to invest more in research, education and childcare (Pronold, SPD, BT 2008a, 15115). Why the SPD nevertheless agreed to the bills? "We want to preserve the inheritance tax, of course ... and we want to preserve jobs" (Binding, SPD, BT 2016a, 17789).

But even with this narrative, the SPD is divided. Thuringia's Finance Minister Heike Taubert (SPD), for example, testified in the Bundesrat:

"The tax giveaways no longer have anything to do with safeguarding jobs, and nothing at all to do with fairness. Taxing rich company heirs must not lead to ever greater fortunes being accumulated over generations by fewer and fewer people and further exacerbate the inequality of wealth in society. Justice ... would mean that multimillionaires and billionaires should also be subject to inheritance and gift tax according to their ability-to-pay. It would also mean that those who can afford this tax without endangering jobs would have to pay it promptly. ... We're only talking about a theoretical issue anyway. Until 2009, when there were only tax allowances and no special consideration of business assets whatsoever, I am not aware of any case in which the inheritance tax seriously jeopardized the continued existence of jobs." (Taubert, SPD/Thuringia, BR 2016c, 271-272)²²⁴

This quote shows how contradictory the debates were – even comrades sometimes simply did not believe the narratives of their party colleagues about jobs.

New to the debate on reform in 2016 was the idea put forward by the Greens to introduce a flat tax of 15 percent. Lisa Paus justified this by arguing that in the existing form, rich heirs with assets over 20 million euros effectively paid 3 percent tax, while amounts between 100,000 and 200,000 euros effectively paid 15 percent inheritance tax (Paus, B90/DG, BT 2016a). "That is why a flat tax... would be much fairer, at least compared to this draft law" (ibid.). Cansel Kiziltepe of the SPD countered:

"A flat tax of 15 percent would not mean any relevant additional revenue [and] it is not fair either. Large business assets must be taxed appropriately. ... But that is only possible

²²³ The call from the CDU/CSU at this point is typical: "Socialism!" (Christian Freiherr von Stetten, CDU/CSU). "I'm actually just describing the current conditions. If that's socialism, then that's an interesting thing" (Pronold, SPD, BT 2008a, 15115).

²²⁴ "Mit der Sicherung von Arbeitsplätzen haben die Steuergeschenke nichts mehr zu tun und mit Gerechtigkeit gleich gar nichts. Eine Besteuerung reicher Firmenerben darf nicht dazu führen, dass über Generationen hinweg immer größere Vermögen bei immer weniger Personen aufgehäuft werden und die gesellschaftliche Vermögensungleichheit weiter verschärft wird. Gerechtigkeit ... würde bedeuten, dass auch Multimillionäre und Milliardäre entsprechend ihrer Leistungsfähigkeit zur Erbschaft- und Schenkungsteuer herangezogen werden. Dazu gehört auch, dass diejenigen, die sich diese Steuer leisten können, ohne dass Arbeitsplätze gefährdet werden, sie zeitnah bezahlen müssen. ... Wir reden ohnehin nur über eine theoretische Frage. Bis 2009, als es nur Freibeträge und keinerlei besondere Berücksichtigung von Betriebsvermögen gab, ist mir kein Fall bekannt, in dem die Erbschaftsteuer den Fortbestand von Arbeitsplätzen ernstlich gefährdet hat."

with progressive tax rates; it is not possible with flat tax models that you have dug out of the neoliberal mothballs." (Kiziltepe, SPD, BT 2016a, 17786)²²⁵

Pro: Inheritance tax also serves the purpose of preventing the accumulation of huge fortunes in the hands of individuals

The most frequently mentioned narratives of the PDS/Left and also, at the beginning, of the Greens refer to the great wealth inequality in Germany. According to Barbara Höll, for instance, "the inheritance tax would be [misused] as an instrument to fix further redistribution from the bottom to the top." (Höll, PDS, BT 1996c, 12057). In both 1996 and 2008, the politician cited inequality most frequently: the richest 1 percent of the population, according to the data at the time, already owned more than 20 percent, and the richest 10 percent owned more than 60 percent of all wealth. In this context, Höll put inequality in relation to existing child poverty and the possible objectives that could be achieved with higher revenues from inheritance tax (Höll, BT 2008a, 15111). Often, on the part of the proponents of strengthening an inheritance tax, the contra camp was read out of the Bavarian Constitution, including by Sahra Wagenknecht: "The inheritance tax also serves the purpose of preventing the accumulation of giant fortunes in the hands of individuals" (BT 2016a, 17777; also by Barbara Höll, BT 2008b, 20450).

One important aspect is that there is "no empirical evidence of particular inheritance tax-related problems in the succession of family businesses" – a quote that Höll borrowed from a DIW study (ibid., 15112). This aspect, especially that of jobs, was also taken up by Sahra Wagenknecht in the 2016 Bundestag debate:

"Now don't come to me with the alleged endangerment of jobs. Even the Scientific Advisory Council at the Federal Ministry of Finance has found that there is little evidence that the tax sheltering of business assets safeguards jobs."

(Wagenknecht, Linke, BT 2016a, 17776)²²⁶

For the first time, Wagenknecht referred to the report of the Scientific Advisory Board at the Federal Ministry of Finance in the plenum. Yet this report was already published in January 2012 (WB-BMF 2012). Narratives formulated as criticism of privileges are also particularly strong, both against wealthy individuals and against business assets. For example, the 2016 reform is "not a reform, it is a capitulation to the power and influence of stone-faced corporate heirs" (Wagenknecht, Linke, BT 2016a, 17777). Richard Pitterle also said mockingly: "The lobby holds the stick, and Söder and Co jump over it artfully" (Pitterle, Linke, BT 2016c, 19201).

²²⁵ "Eine Flat Tax von 15 Prozent würde kein relevantes Mehraufkommen bedeuten [und] es ist auch nicht gerecht. Große Betriebsvermögen müssen angemessen besteuert werden. ... Das geht aber nur mit progressiven Steuersätzen; es geht nicht mit Flat-Tax-Modellen, die Sie aus der neoliberalen Mottenkiste herausgekrant haben."

²²⁶ "Jetzt kommen Sie mir nicht mit der angeblichen Gefährdung von Arbeitsplätzen. Selbst der Wissenschaftliche Beirat beim Bundesministerium der Finanzen hat festgestellt, dass es wenige Hinweise darauf gibt, dass die steuerliche Schonung von Betriebsvermögen Arbeitsplätze sichert."

The contra narratives with economic reference were very strong at over 30 percent, among which the narratives concerning jobs were the most frequent. In addition, only two other narratives were moderate: After jobs and economic narratives in general, framework conditions were mentioned most frequently. The privileging of business assets was also a particularly frequent theme and legitimacy. There were also other narratives that occurred more frequently in absolute terms than overall narratives of the pro camp, but did not stand out within the contra narratives as much as being classified as moderate or strong. This applies to a whole bouquet of narratives: small and medium-sized enterprises, family businesses, state revenue, ownership principle (family), fairness and justice, home ownership, foreign ownership, the merit principle, privileges of the rich and, lastly, inequality.

The RON used by the pro camp is very broad, with a total of eleven narratives falling into the categories moderate, strong, and strongest. Macrosocial narratives were most frequently used, including the most frequently mentioned narrative of the pro group, that of inequality; followed by business-related narratives – most of which referred to small and medium-sized businesses – and the inheritance tax as a means to an end. Narratives expressing discontent and values-based narratives balanced each other: denounced privileges for both the rich and business assets, lack of government revenue, and lobby influence. Among the value-based narratives, those of justice, the framework, the merit principle, and the property principle (of the family) were strong.

One narrative that was cited by both pro and con was the role and power of lobby: In total, the politicians referred to lobbyists almost thirty times, thus openly bringing up their active role. The fact that lobby was mentioned so frequently and explicitly on the floor represents a new trend compared to the narratives of the last one hundred years. It is no coincidence that these coincided with the first special treatments of business assets (see Fastenrath et al. 2021).

Table 4.10: RONs of the German political elite about the inheritance tax, 1995-2016

<i>German political elite</i>	<i>1995-2016</i>	
Storyteller	Pro	Contra
1995-1996	Greens, PDS	CDU/CSU, FDP, SPD
2007-2008	Greens, Left	CDU/CSU, FDP, SPD
2014-2016	Left	CDU/CSU, FDP, SPD, Greens
<i>Value based</i>	48	384
Fairness, Justice	11	61
Principle of Equality	1	11
Opportunity	5	7
Principle of merit	10	36
Ownership Principle (Family)	10	61
Framework conditions	11	208
<i>Macrosocial</i>	81	543
Means to an end	14	24
Democracy	6	19
Inequality	31	32
Home ownership	7	49
Economic reference	2/23	80/412
- Jobs	7	180
- Small and middle bussines	10	78
- Family businesses	4	74
Double taxation		6
Socialism		1
Communism		
Capitalism		
<i>Dissatisfaction and suspicions</i>	48	314
Dissatisfaction		
Philantropy		2
State budget	12	74
Corruption		
Lobby	10	18
(Privileged) rich	13	33
(Privileged) business assets	13	187
<i>Envy and resentment</i>		12
Principle of justice		4
Envy		6
State grudged		2

<i>Property preservation</i>	8	100
Principle of equality	5	27
Property principle	1	32
<i>Property building</i>		1
Types of income		2
Foreign dimension	2	38

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	31	81	412	543
Strong	24-30	61-80	309-411	408-542
Moderate	8-23	21-60	103-308	136-407
Weak	1-7	1-20	1-102	1-135

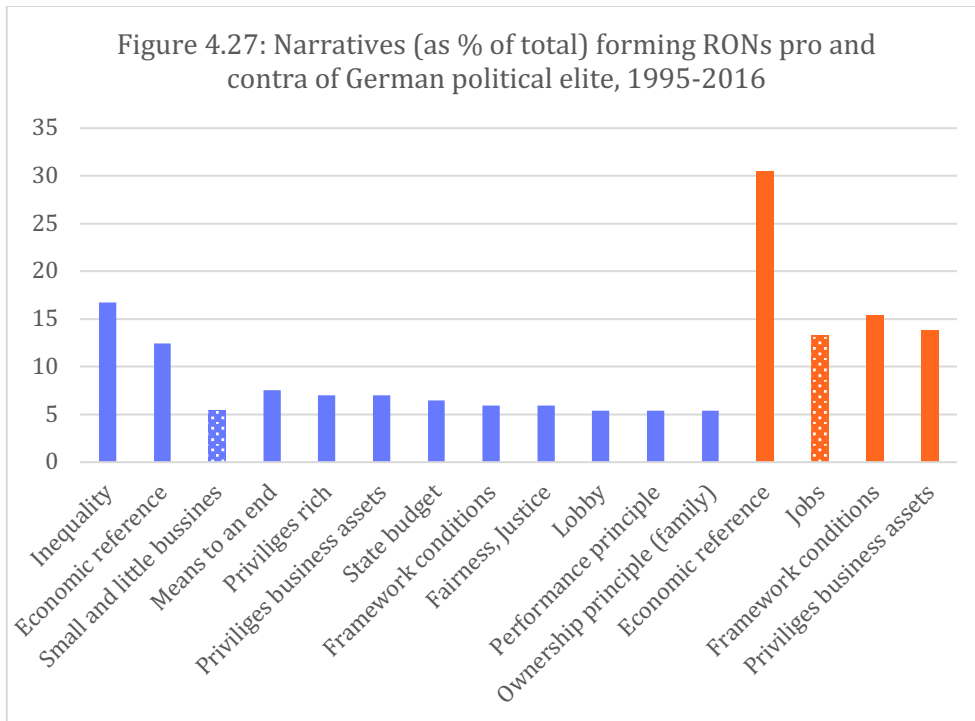
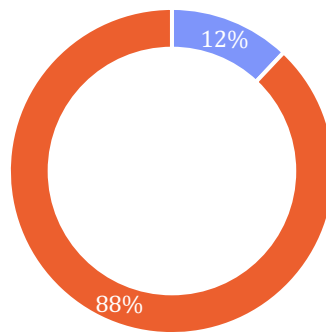


Figure 4.28: Share of pro and contra narratives as % of total of German political elite, 1995-2016



■ Pro ■ Contra

4.2.15 Moral of Germany's (Hi)Story: From a Fair Matter of Course to a Killer of Jobs

At the beginning of the Weimar Republic, Matthias Erzberger was at the helm of the Ministry of Finance, and his conviction that the inheritance tax should be strongly structured seemed unwavering. The inheritance tax, including the estate tax and the surcharge on high estates, applied to the entire nation – spouses and children included. It could be as high as 90 percent. It had to be that high if it was to serve as an instrument to reduce wealth inequality. The huge gap between rich and poor was too great even before World War I and harmed the economy as a whole. Social justice was at the forefront within Erzberger's RON; financial, economic aspects were also mentioned, but came second. Just how serious Erzberger was about the tax could be seen from the penalty regulations: a short-term stay abroad would not have been enough to be exempt from the tax; heavy fines or even prison sentences were intended to deter people from evading the tax.

Many deputies, previously opposed to strengthening the inheritance tax, agreed to the reform because the devastating outcome of the World War and economic necessity tempted them to do so – also in the spirit of social ethics. Within this group, the inheritance tax was framed as a means to an end. In addition, Erzberger's RON was flanked from both the right and the left: the Independent Social Democrats (USPD), for whom inheritance tax reform did not go far enough because it would not break up capitalist structures in its form, reproached the government for wanting to have their cake and eat it too. On the conservative side, on the other hand, the advances went too far; they did not want to make themselves the pacesetters of communism. Economic narratives in particular, but also those emphasizing family cohesion, were countered: the efficiency and viability of the German economy would be endangered if assets were taxed away; the sense of thrift would be killed and the sense of family would suffer greatly.

Just a few years later, from 1922 to 1925, the inheritance tax was weakened again. Above all, narratives aimed at the framework conditions came to the fore: the inheritance tax was riddled with legal technical errors and deficiencies, it was unsystematic and lacked coherence, and it was unbearably harsh. Moreover, the introduction of the wealth tax in 1923 made parts of the inheritance tax superfluous. Especially important was that economic aspects, the private and national economic damage, were enormous and the inheritance tax destroyed the economic basis of countless families. Inheritance tax was not only and not primarily about large estates and businesses, but about the middle class. Moreover, since wealth was framed along family lines, it was necessary to exempt partners and children from inheritance tax again.

The SPD at the time, which in 1925 advocated the continuation of inheritance tax laws after Erzberger, intertwined the narrative of a lack of justice with privileges for the richest. But as CP deputies pointed out, these were fine words that obscured the fact that the SPD itself had been partly responsible for the weakening of the inheritance tax in 1922. From the left came very harsh narratives, the vehemence of which would not reappear in discourse in the same way for a

hundred years: the government believed that it could "rape the whole people" due to their majority; moreover, new capital formation in the sense of original accumulation was a burden not only for society but also for the economy, which could not bear it. The proletariat had to suffer, while the capitalist class would benefit from the warmest sympathy.

After World War II, the Federal Republic initially faced a high inheritance tax set by the Allies that contained American elements, such as that the inheritance tax was designed as an estate tax. Narratives of the inappropriate framework were interwoven with the narrative of the family property principle: for example, targeting by estate would only work if the spouse was the sole heir, but this was often not the case. Reforms were framed as inevitable, and inherited wealth was placed in the family context.

At no time in the 1950s was there any question of abolishing the inheritance tax. As Chancellor Adenauer made clear, the objection was raised by opponents of the inheritance tax that it inhibited the population's will to save and capital formation. But "[t]his objection is unfounded" (Adenauer, BT 1954a, 115). One thing was certain: the inheritance tax was to be reduced, "normalized." The tax cuts were framed as an imperative of tax justice and in the interests of the family, especially for smaller businesses. While Erzberger emphasized the aspect of redistribution in the sense of justice even before increased tax revenues, economic policy neutrality was now upheld. This marked a vehement departure from the understanding of what direct taxes were functionally for, as conceived by Erzberger, and enshrined it in law. Narratives aimed at strengthening the inheritance tax were rare.

This changed in the 1970s. All parties, both in government and in opposition, advocated reform of the inheritance tax in the interests of greater tax fairness. However, narratives like those of Erzberger's time, in which taxes were basically not presented as a burden, were absent: All parties saw taxes as an impediment to economic growth and rejected confiscatory inheritance taxes. The SPD was keen to promote inheritance tax in the sense of fair redistribution and thus lower inequality. By far the most frequently cited narratives were those aimed at the framework conditions. In the foreground was the valuation of real estate, the ease of circumvention and existing loopholes, and in this sense family foundations, as well as Germans moving abroad. Many narratives related to equity issues: Tax burdens (mind you: burdens) were to be distributed more equitably than before thanks to tax reform, and more social justice became the most important goal of tax reform. Taxes, including inheritance tax, were framed as a burden, but this was to be shouldered more fairly in the sense of reducing inequality. Rarely was there explicit mention of wealth concentration, which, however, no one could dispute. The FDP primarily emphasized narratives that focused on merit and wealth creation. Measured in terms of narratives, the governing party was thus close to the opposition.

In the mid-1970s, many CDU/CSU politicians called for tax fairness, but also made it clear that taxes were fundamentally damaging to the economy and costing jobs. Inheritance tax was not

about taxing large fortunes, but about citizens' jobs and thus the social standard of the German population. In contrast to the SPD, the CDU/CSU often used property-preserving narratives, especially when it came to wealth creation, which should be promoted by tax law. As a logical consequence, tax allowances were to be increased and the value of a single-family home was to serve as a guideline for these. The Union's focus clearly came to the fore: economic aspects were paramount; an inheritance tax should not be allowed to erode the basis of prosperity.

What the CDU/CSU espoused in the 1970s when it was in opposition, it foregrounded in chorus with the SPD from 1995 to 2016. I do not want to postulate that the narratives of the CDU/CSU and the SPD were the same – not at all. In their pointedness, the Christian Democrats and Social Democrats have differed, as they did in the 1970s: The CDU/CSU continued to advocate property-preserving narratives, while the SPD, and especially individual politicians in the parliamentary group or in the Bundesrat, repeatedly emphasized justice. But the SPD's shift in narrative cannot be dismissed out of hand: Securing jobs and strengthening Germany as a business location came first.

The CDU/CSU emphasized in very clear terms that a high inheritance tax was poison for the economy and that business assets should be spared. The FDP fully agreed with this view. Tax privileges for business assets were at the heart of all three inheritance tax reforms – even if the reason for the reforms, the call from the Federal Constitutional Court in Karlsruhe, was about other aspects. For the Union and the FDP, this was irrelevant – what counted was job security. Jobs, business assets, and Germany as a business location became intertwined in the narrative.

However, while the CDU/CSU emphasized the merit of the family in the form of the testator, members of the SPD frequently spoke of inheritances as being non-performing acquisitions. Taxes should be levied on them to ensure important tasks in society. More than an internal contradiction, the SPD's actions seem like a cognitive dissonance: Tensions within the party have repeatedly surfaced, and the dissatisfaction with the approval of the reforms on the part of some deputies, both in the Bundestag and the Bundesrat, is clear. Although every deputy is free in his or her decision and subject only to his or her own conscience (Basic Law Art. 38 (1)), in the end almost all of the party's deputies (except for two, Marco Bülow and Christian Petry, BT 2016a, 17793) toed the faction line in the votes. While the SPD was still proud of the privileged treatment of business assets during the 2008 reform with Peer Steinbrück as finance minister, from 2014 to 2016 it repeatedly attempted a rhetorical balancing act, according to which the party would actually have liked to see the inheritance tax strengthened. The reforms would not prevent wealth concentration from increasing further; it was also regrettable that higher revenues (in the sense of a means to an end) could not be used to invest more spending in education, research, and child-care. But ultimately, he said, jobs had to be preserved. The SPD's focus was on economic aspects; tax justice in the sense of a redistributive effect took a back seat. Strengthening the inheritance tax was thus ruled out.

The Greens were still opposed to the reforms of the governing parties in the first two reforms, but agreed to important points in 2016. Within the party, the narrative changed, according to which a flat tax would be fairer than the reform proposals put forward. From an academic perspective and against the backdrop of my research interest – extreme wealth inequality – I agree with the accusation made by SPD deputy Cansel Kiziltepe: a flat tax is a neoliberal instrument because it leaves out the ability-to-pay-principle, potentially having a regressive effect and only paying attention to revenue; redistributive effects are not taken into account. This turn makes the Left the only party in the Bundestag that was in favor of strengthening the inheritance tax in the last reform in 2016.

The most frequently mentioned narratives of the PDS/Left referred to the immense wealth inequality. Inequality was often put in relation to existing child poverty, which could be countered by additional revenues. The economic policy narratives of the CDU/CSU, FDP, and SPD were countered by the leftists who argued that there was no empirical evidence to support their claims; in the case of the last inheritance tax reform, they referred to the report of the Scientific Advisory Council to the Federal Ministry of Finance, which found that there was no evidence that tax relief on business assets would secure jobs. Important narratives in their RON were the privileges of business assets on the one hand, and those of the wealthy on the other. The 2016 inheritance tax reform was "a capitulation to the power and influence of stone-rich company heirs" (Wagenknecht, Linke, BT 2016a, 17777). Overall, the Left's RON was broad, with eleven narratives. Macrosocial narratives, especially that of inequality, were mentioned most frequently, followed by economic-related narratives, as well as the inheritance tax as a means to an end. But the left was broadly alone in its criticism of inheritance tax reforms: Only 12 percent of all narratives in debates from 1995 to 2016 were pro; 88 percent of narratives expressed a desire to weaken the inheritance tax.

A ride through the history of the German inheritance tax under democratic circumstances shows that the evolution has been both toward strengthening and weakening. Since 1919, the inheritance tax has twice been democratically strengthened and shaped in line with the research interest – extreme wealth inequality; in 1919 and 1974, narratives that would uphold justice, democracy, and inequality reduction were particularly strong in the RONs. What may sound trivial is nonetheless very important in light of current and ongoing debates about the inheritance tax: whenever the goal was to strengthen the inheritance tax, narratives framed the inheritance tax as a just, important, instrument; one that had to directly address inheritances to reduce wealth inequality and to satisfy the merit principle. Means to an end were given secondary importance. Rather, they were linked: It was in the interests of society, families, democracy, and the economy if the tax on inheritances would combat the consolidation or expansion of dynastic wealth accumulation.

More often than strengthened, however, the inheritance tax was weakened: from 1922 to 1925, in the 1950s, and three times between 1995 and 2016. From the beginning, the focus of these

reforms was on narratives that addressed economic issues. The inheritance tax was complicated, anti-property, and unfair to the decedent's lifeline. Above all, however, it was bad for jobs, bad for the Germans' willingness to save, the wealthy's willingness to invest, the middle class, and family businesses; all of these would have their existence endangered by inheritance taxes and would wrest from Germany the foundation on which the country's social standard is based.

Figure 4.29: Comparison of narratives (as % of total) forming RONs pro and contra of German political elites (left) and share of pro and contra narratives (right) over time, 1919-2016



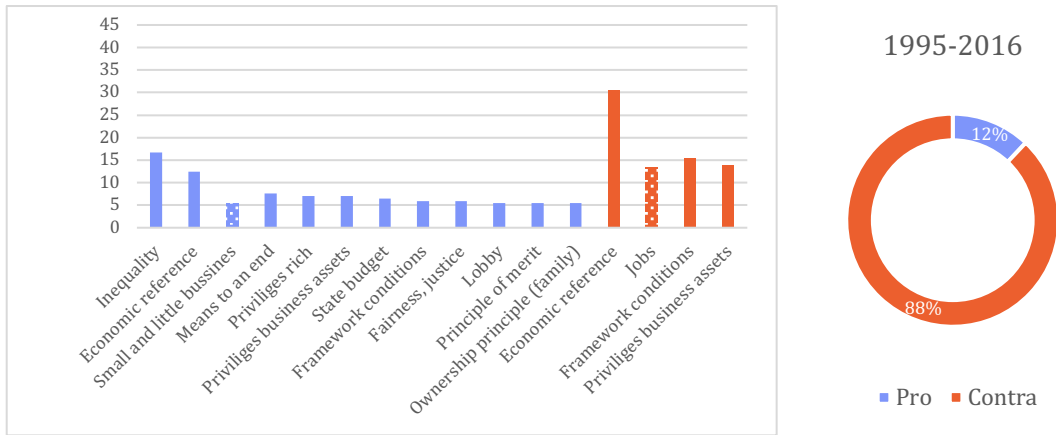
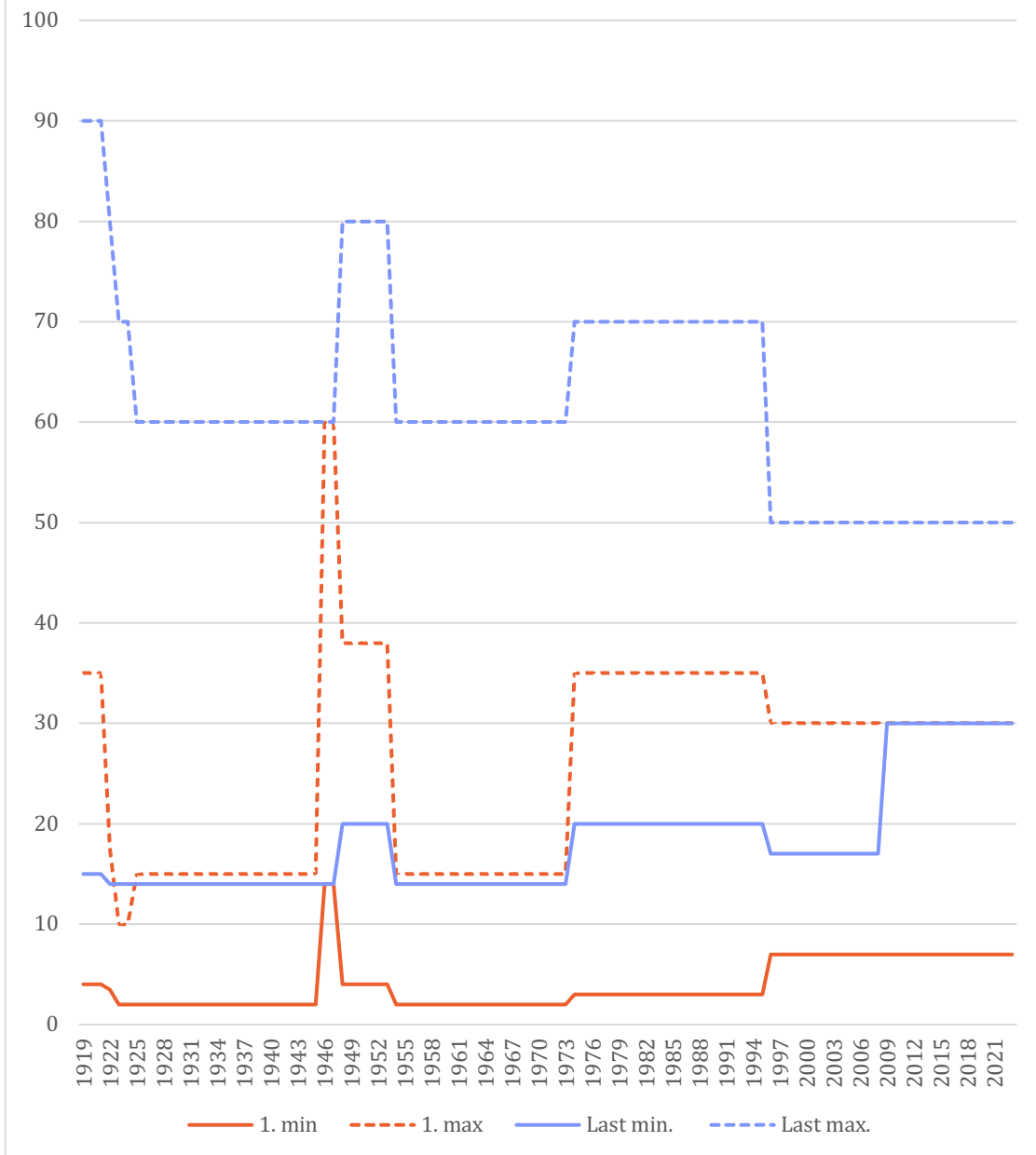


Figure 4.30: Min. and max. marginal rates of inheritance tax (%) in first and last tax classes in Germany, 1919-2023



Source: own compilation, information retrieved from the inheritance tax laws. For an overview of all tax rates in all tax classes, see Appendix figure A 2, 446.

4.2.16 The Shaky Inheritance Tax in Germany – it Remains Contested

The inheritance tax has undergone both strengthening and weakening since 1919. What is the state of politics regarding the inheritance tax at present, what are the positions of the parties, and what are the positions of the political decision-makers? Against what background is the political debate taking place, i.e. to what extent was wealth inequality taken into consideration in those debates?

No strong supporters, many strong opponents

To assess the parties' positions, I analyzed the election programs and the coalition agreement with regard to their orientation toward inequality and the inheritance tax.²²⁷ No other party represented in Parliament uses the term inequality as frequently and extensively in its program as *Die Linke*. According to the Left, there would be far less injustice and enough for all if wealth were better distributed (Die Linke 2021, 115-116). The Left wants to tackle the growing trend of inequality through taxes. According to their political program, large fortunes and inheritances would be taxed; wealth with a progressive tax rate of up to five percent, inheritance taxes on big fortunes should be raised, tax privileges for business assets are to be abolished, family homes would be exempt from inheritance tax (ibid., 87).

For the Greens, wealth inequality represents an urgent problem: the fact that Germany has among the highest concentration of wealth in the EU is "among other things due to the fact that it is possible for very rich people to avoid taxing their wealth almost completely, for example using the inheritance tax" (Bündnis 90/Die Grünen 2021, 92). Tax avoidance opportunities for wealth and inheritances should be reduced and large fortunes should be taxed more heavily again (ibid., 92).

The SPD frames existing inequalities as a social problem that leads to dwindling cohesion in society (SPD 2021, 3-4). In addition, the "extremely unequal distribution of income and wealth ... is not only problematic in socio-political terms, but also economically unreasonable" (ibid., 22). The wealth tax should be reintroduced at one percent for "very high fortunes" (ibid., 23). The inheritance tax is currently unfair because it favors wealthy corporate heirs and overprivileges business assets. This should be countered with an effective minimum taxation (ibid., 23).

To describe the programs of the CDU/CSU, FDP, and AfD in terms of inequality and the inheritance tax is unanimously simple: the framing is none. Inequality is not mentioned at all in the election

²²⁷ For the platform ungleichheit.info, which I launched as project manager in July 2022, I analyzed the election programs and the coalition agreement with regard to their orientation towards inequality (<https://ungleichheit.info/en/germany>), see "Positions of political parties". The texts on ungleichheit.info are without exception written by me, but for the sake of transparency I would like to state that I put my analysis for the PhD thesis there for the first time.

programs (CDU/CSU 2021, FDP 2021, AfD 2021). Their plan is accordingly nonexistent. And how are inequality and inheritance tax plan framed in the coalition agreement of SPD, Greens, and FDP as of 2021? Inequality is mentioned twice, both times in the context of “Social Europe” and both times in regard to income; the second citation refers to gender income inequality Europe-wide. Inequality and taxes are not intertwined; the inheritance tax is not mentioned (SPD, Grüne, FDP 2021, 134). While inequality and taxes featured prominently in the party election programs of the SPD and the Greens and the inheritance tax is framed as an important tool against inequality that needs sharpening, these issues are not addressed in the coalition agreement of SPD, Greens, and FDP.

In debates about the outcome of coalition negotiations and according to the account of some politicians (such as Norbert-Walter Borjans of the SPD at the *Friedrich Ebert Stiftung* event on Nov. 30, 2022), it is said that the inheritance tax is so unpopular within the party that it is always the first to fall under the table in coalition negotiations. It does not seem to be that simple: The Ministry of Finance went to Christian Lindner and the FDP, and thus to a party that has clearly rejected any tax increases or new introductions (FDP 2021, 8). But even in the SPD and the Greens, there is currently no support for strengthening the inheritance tax at a crucial point.

In my estimation²²⁸, a reform of the inheritance tax is neither at the top of the political agenda of Chancellor Olaf Scholz, nor on that of Economics Minister Robert Habeck or of the federal executive committee of the Greens. Thus, the inheritance tax was not included in the Greens' draft election program at the Federal Delegates Conference (*Bundesdelegiertenkonferenz*, BDK) from June 11 to 13, 2021, at the outset. In preliminary rounds and at the BDK itself, there was wrangling over whether and in what form the inheritance tax should be included in the program. It was only after pressure from some state working groups (*Landesarbeitsgruppen*) on economy and finance and some state finance politicians that the decision was made to include the inheritance tax in the program.

It can be found in the election programs of the SPD and the Greens, yet despite these mentions in the programs of the bigger coalitions partner, there is no mention of the inheritance tax in the coalition agreement signed by the SPD, the Greens, and the FDP on December 8, 2021. But to say that the FDP, as the smallest coalition partner, negotiated it out seems too simplistic. I spoke about this aspect with two actors who share these assessments (ITV #19, 21). I do not know the exact positions of Chancellor Scholz and leading politicians from the SPD, as well as Economics Minister Habeck and the Greens at the top; but according to information from Spiegel, the parliamentary group leaders of the SPD, Greens, and FDP agreed in December 2022 to increase the inheritance

²²⁸ I would like to emphasize that this assessment is based on more than just my interview discussions with the head of the Federal Chancellery, Wolfgang Schmidt (SPD), and Foreign Minister Annalena Baerbock (Greens). I worked for the Greens from 2017 to 2021 (in 2017 during the federal election campaign as a trainee and later as a press officer in the press office of the federal executive committee), then in Annalena Baerbock's *Bundestag* office (as a student assistant from 2018 to 2021), and I know politicians and speakers working in the *Bundestag*, federal and state ministries in both the Greens and the SPD. Since my research focus is inheritance tax, this has also generally been the topic of my conversations with many politicians and speakers.

tax allowances, which were framed as an inflation adjustment. The coalition between the SPD, Greens, and FDP, known as the traffic light coalition, had agreed, "[t]he ball is now in the penalty spot", so that according to Finance Minister Lindner, it is up to the states to agree upon and introduce a corresponding law (*Spiegel* 2022).

At present, the chances of a reform to strengthen the inheritance tax are correspondingly poor. There are no powerful political players who would campaign in favor of a strengthening. On the other hand, the Prime Minister of Bavaria, Markus Söder, announced on May 23, 2023, that he would file a constitutional complaint against the existing inheritance tax (CSU 2023). Söder primarily uses the narrative of the real estate that heirs would be forced to sell. For example, on July 19, 2023, *Der Spiegel* headlined that the "CSU wants to eliminate inheritance tax on parental homes. Those who hold their parents' real estate for ten years are to be exempt from inheritance tax" (*Spiegel* 2023). Yet family homes have already been exempt from inheritance tax since January 1, 2009, according to Section 13(1)No.4c.²²⁹ What the CSU wants to introduce anew, according to its paper for the closed meeting of the CSU state group, is the tax exemption for rental of real estate (CSU 2023). Thus theirs is not a policy for families or family homes, but a policy for landlords.

The inheritance tax has strong opponents at the political level, but no strong politicians as supporters. On the level of civil society groups, though, an alliance of a number of organizations and associations is working to strengthen the inheritance tax. On November 30, 2022, the *Friedrich Ebert Stiftung* (FES), *Deutscher Gewerkschaftsbund* (DGB), *Vereinte Dienstleistungsgewerkschaft* (Ver.di), *Finanzwende e.V.*, *Netzwerk Steuergerechtigkeit*, *Tax Me Now*, and *ungleichheit.info* presented the *inheritance tax clock* at an event in Berlin (FES 2023). This said clock shows how much the tax privileges for the rich in the realm of the inheritance tax have cost since 2009: over 76 billion euros. As Norbert-Walter Borjans (Finance Minister of North Rhine-Westphalia 2010-2017 and SPD Chair 2019-2021) put it in his welcoming remarks, it is important that civil society groups

"are on the way to form a counterweight against those who, endowed with a great deal of capital, are able to tell stories that give the impression to many who actually have nothing at all to gain from it yet think: if policies are pushed through for very, very large heirs, then it is just the right thing for each of us, because we belong to this circle."

(Norbert-Walter Borjans, FES 2022, Min. 00:50)²³⁰

²²⁹ §13(1)No.4c regulates: Family homes are tax-exempt if "the acquisition on account of death" goes to children (and to grandchildren if the children have already died), the apartment is not larger than 200sqm and the apartment is "immediately intended for own residential purposes".

²³⁰ "auf dem Weg sind, ein Gegengewicht zu bilden gegen die, die mit sehr viel Kapital ausgestattet, in der Lage sind, Geschichten zu erzählen, die vielen, die eigentlich gar nichts davon haben, den Eindruck erwecken: wenn Politik für ganz, ganz große Erben durchgesetzt wird, dann ist es für jeden von uns genau das richtige, weil wir zu diesem Kreis dazugehören."

There was no such alliance or counterweight in times of the inheritance tax reforms from 1995 to 2016. Whether or what these actors can achieve remains to be seen. As the founder of *ungleichheit.info* and a member of this alliance – to say it openly in all transparency – I am both biased and full of hope.

Germany, an inheritance society²³¹

The reason for founding the alliance is obvious: Germany is one of the most unequal democracies in the world. In terms of income tax, government redistribution, transfers, and taxes succeed in reducing inequality "to a high degree" (Feld et al. 2020, 234). As presented in figure 4.10 on page 144, the difference in the Gini before and after income taxes in Germany is large. But even if the Gini is falling, Germany's tax system has undergone major changes over the past three decades. So much so that the tax rate of millionaires is now lower than that of high earners. As Julia Jirmann and Christoph Trautvetter from *Netzwerk Steuergerechtigkeit* (belonging to the Global Alliance for Tax Justice) have calculated,

"[t]he German millionaire ... pays only 21% in taxes on his income of 1.6 million euros. While the average couple with a gross income of 110,000 euros bears a tax and contribution rate of 43%, the family of the model millionaire bears only 24%."
(Netzwerk Steuergerechtigkeit 2023)²³²

In Germany, income is taxed at a high rate by international standards, and social security contributions are also paid. Assets, however, are hardly taxed at all. In the OECD ranking, Germany ranks second behind Belgium in terms of tax wedge²³³ (OECD 2023, 3). For wealth, Germany ranks 26th among the countries that tax wealth the lowest (Mexico in 34th place ahead of Estonia in last place 35, OECD 2018b, Fig 1.7). As Marcel Fratzscher, President of the DIW, summarizes, "[t]here is hardly a country in the world that taxes labor so heavily and private wealth – inheritances and gifts included – so lightly as Germany" (Fratzscher 2022, n.p.).

The tax policies of the past three decades have contributed to a large extent to the growth of wealth inequality in Germany.²³⁴ A look at a study by Charlotte Bartels reveals the interplay between wealth-related tax policy and the development of wealth inequality. In a study for the Think

²³¹ Parts of this section were first published as part of a study together with Stefan Gosepath for the *Friedrich Ebert Stiftung*. My first supervisor Marianne Braig and my co-author Stefan Gosepath agreed to this.

²³² "[d]er deutsche Muster-Millionär ... auf sein Einkommen von 1,6 Millionen Euro nur 21% Steuern. Während das Durchschnittspaar mit einem Bruttoeinkommen von 110.000 Euro eine Steuer- und Abgabenquote von 43% trägt, sind es bei der Familie des Muster-Millionärs nur 24 %."

²³³ Tax wedge, defined as "income tax plus employee and employer social security contributions, minus cash benefits for the average single worker in OECD countries, as percentage of labor costs" (OECD 2023, 3).

²³⁴ According to Albers et al., it was mainly wealth-related taxes that led to a decrease in wealth inequality in Germany after WWII (Albers et al. 2020, 23). Conversely, changes in the tax system contribute to a large extent to the increase in wealth inequality. Changes in the tax system are an important factor, but by no means the only one, see e.g. Bartels and Schröder 2020.

Tank *Forum New Economy*, Bartels and Schröder analyze the composition of wealth and which forms of wealth contribute to wealth inequality. Real estate explains about 35 percent of wealth inequality; but business assets are even more important:

"Business wealth – the typical asset of the upper class – explains 55% of net wealth inequality. While almost half of the population invests in real estate, firm ownership is heavily concentrated at the top of the wealth distribution. For example, the top 1% of the wealth distribution owns about two-thirds of overall business wealth. ... Business assets represent a substantial fraction of German household wealth, but are concentrated in the hands of few; thereby, it is the important factor for wealth inequality in Germany."

(Bartels and Schröder 2020, 21)

According to the report *Millionaires under the Microscope* from the DIW, the wealth inequality of business assets is extremely high (see Schröder et al. 2020, more on this on page 422). As the analysis of inheritance tax has shown, there are two asset classes in particular that have been privileged for tax purposes: Family homes, which have been exempt from tax since 2009, provided they continue to be used as family homes; and business assets, which can be exempted from tax by up to 100 percent.

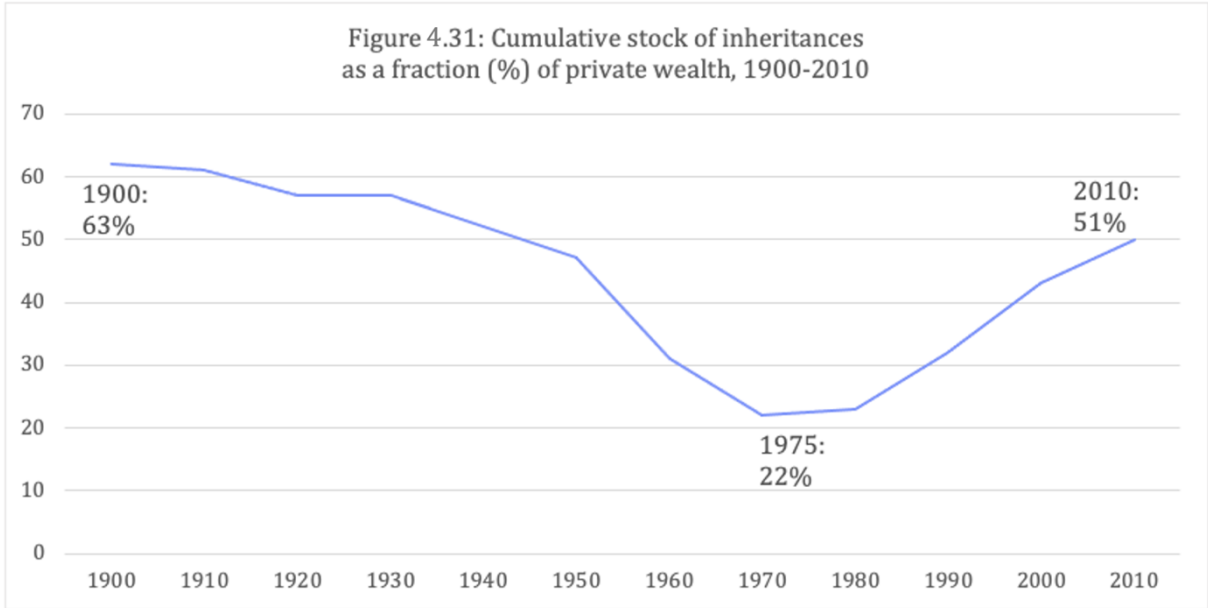
Wealth inequality in Germany is extremely high by international standards. With a Gini index of 0.83 for wealth inequality (Schröder et al. 2020, 313; compared with a Gini index of income inequality of 0.29), Germany occupies an inglorious top position among the world's democracies. However, this figure is not an expression of empirical data, but the result of supplementing the Socio-Economic Panel (SOEP) with subsamples (SOEP-P) and adding lists of the rich from *Manager Magazin* (Schröder et al. 2020, 314). This is because since the wealth tax was suspended in Germany, there is simply no solid database. At the time the wealth tax was suspended in 1996, wealth inequality was relatively low by historical standards, the ratio of wealth to income was below 400 percent, and the richest 1 percent of the population owned 26 percent of the wealth (WID database for Germany²³⁵). In 2020, the wealth-to-income ratio is 624 percent, the highest since 1915, and the top 1 percent owns 35 percent of total wealth (ibid.; Schröder et al. 2020, 313). Private wealth in Germany has thus grown faster than economic output and is now more than six times as large; more than one-third of the wealth is concentrated in the richest one percent of the population.

Wealth can be broken down into two factors: on the one hand, the accumulation of savings over a lifetime, and on the other, inheritances from previous generations. As wealth inequality increases, the question of the composition of wealth and the share of these two factors also becomes more pressing. No precise information can be provided about the exact amount of inheritances and gifts in Germany, as inheritance tax is levied on each recipient and not on the estate as a whole.

²³⁵ On wid.world [11/18/2022], it is possible to call up various country-specific indicators, such as the wealth-income ratio or the share of the richest 1% ("top 1% share").

However, in recent years there has been talk of an "exploding" volume of inheritances and gifts and a "wave of inheritances" (Braun 2015), the latter with enormous growth potential. According to estimates by the DIW, up to 400 billion euros will be inherited and given away annually between 2012 and 2027 (Tiefensee and Grabka 2017). To put this volume in perspective: The annual inherited sum amounts to more than 10 percent of Germany's annual gross domestic product (GDP).

Not only has the total amount of inheritances and gifts grown, but the share of inheritances in private wealth has also increased. In the early 1970s, the cumulative stock of inherited wealth as a share of private wealth was less than 25 percent. According to current calculations, we can currently assume a share of over 50 percent (Alvaredo et al. 2017, 253). This means that more than half of all wealth today is not self-generated, but inherited and donated. In the origin of billionaire wealth, even less is self-generated: "70 percent has not come about through one's own hands, but through inheritances and gifts" (Fratzscher 2023, n.p.). According to these figures and by definition, Germany is thus no longer a meritocracy, but rather an inheritance society, defined as "a society characterized both by a very high concentration of wealth and by a considerable persistence of large fortunes from generation to generation" (Piketty 2014, 351).

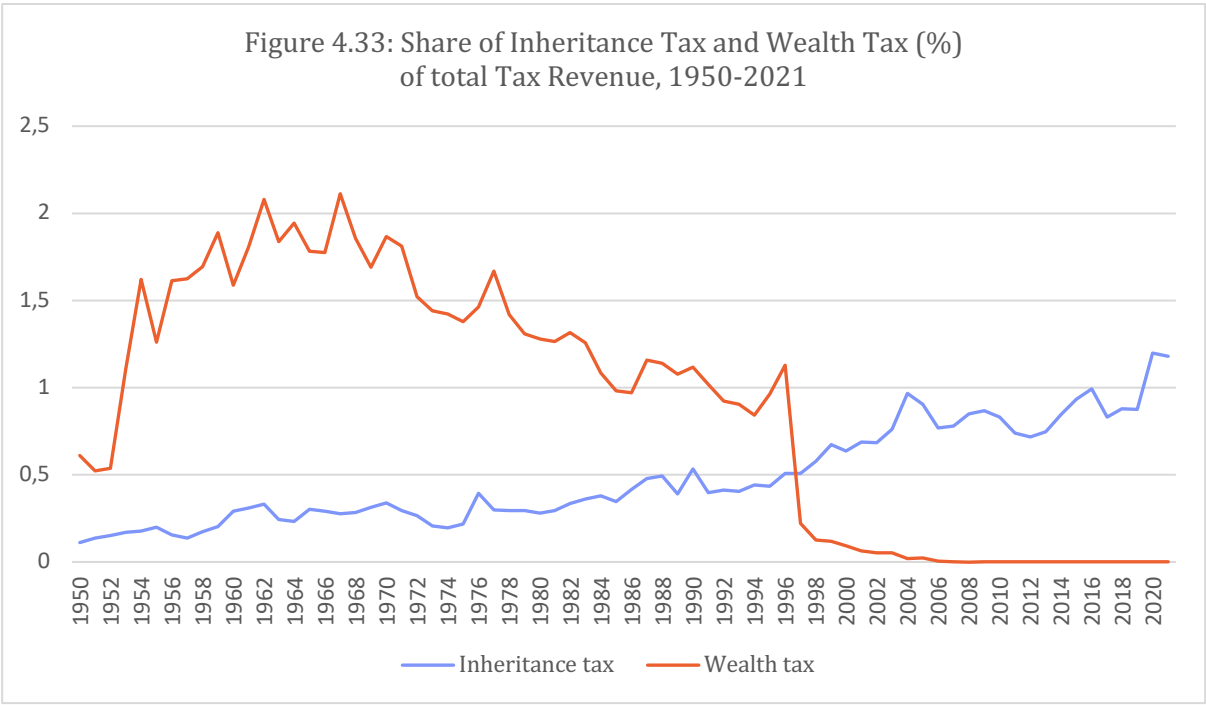
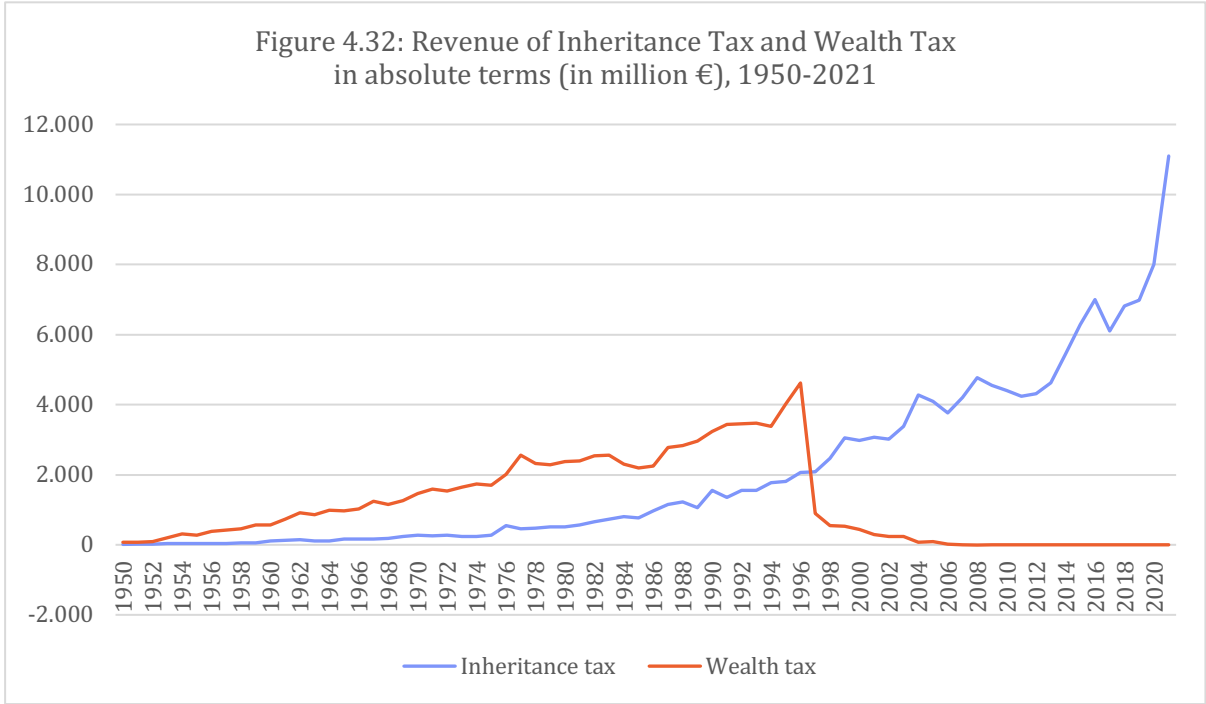


Source: Alvaredo et al. 2017, 253.²³⁶

This empirical finding indicates that inheritances have a high distributional impact - especially since they are hardly taxed. Until the 1970s, inheritance tax revenues accounted for less than 0.5 percent of total tax revenues. The average revenue from inheritances and gifts over the last 70

²³⁶ The dataset of Alvaredo *et al.* 2017 is available at OECD 2021 in the [online version](#); accordingly, precise data of the share of inheritances in total wealth from 1900 [sic!] to 2010 are possible, see: StatLink <https://stat.link/7pyrwc> [07/01/2021].

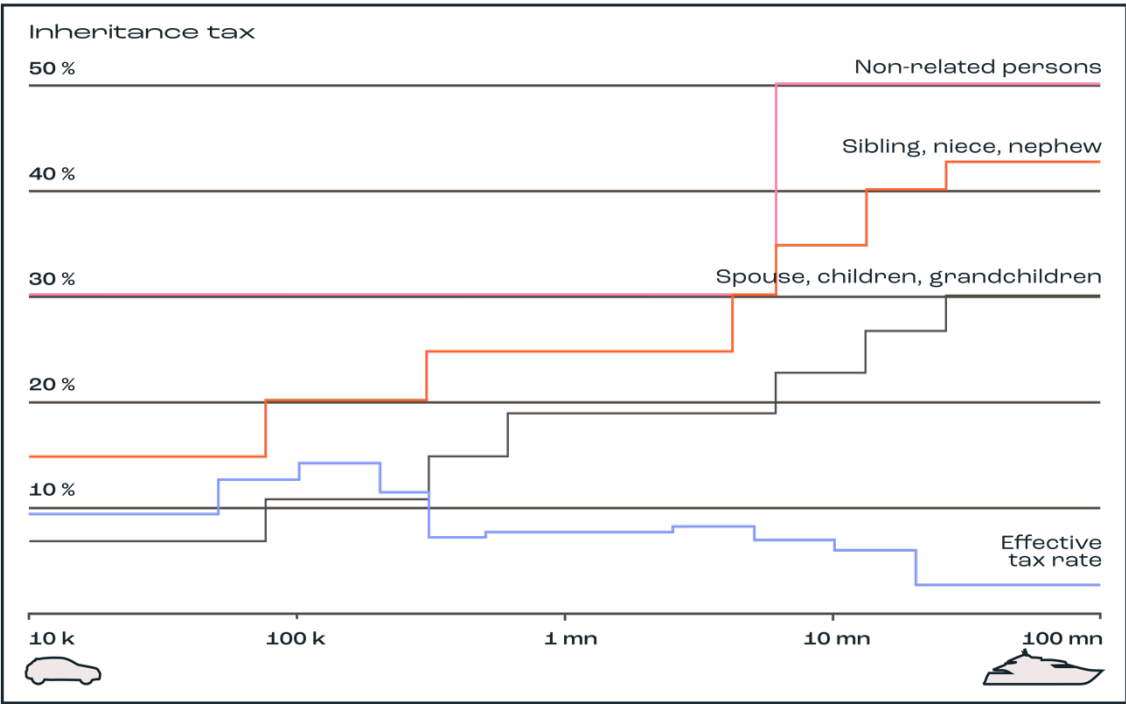
years was only 0.47 percent. It was not until 2016 that the 1 percent threshold was reached for the first time. Over the course of its existence, the inheritance tax has remained far below what the wealth tax was able to bring in until it was suspended in 1996. Even smokers contribute to a larger share of tax revenues: Revenue from tobacco tax amounted to 14.7 billion euros in 2021, and that from inheritances and gifts to 11.4 billion euros (Destatis 2023, n.p.).



Sources: Destatis.

On the one hand, the low tax revenues can be explained by high allowances, which are so high in the first tax bracket that a significant share of inheritances is hardly taxed or not taxed at all. Of the estimated 400 billion euros inherited, only 102.4 billion euros were subject to taxation in 2022, and tax revenues amounted to 11.4 billion euros (Destatis 2023, 18, 21). Thus, less than 3 percent of the total inheritance amount was effectively taxed. On the other hand, as Stefan Bach of DIW Berlin shows, there are many tax advantages that spare large inheritances in particular: Above 10 million euros, the German inheritance tax no longer has a progressive effect, but drops sharply as a percentage of the total inheritance. "Thus, in practice, the inheritance tax has a regressive effect" (*Spiegel* 2021).

Figure 4.34: Tax rates according to the three tax classes, and effective tax rate, Germany 2021



Source: *Spiegel* 2021; graph design: Bayreuther for ungleichheit.info.

According to Fratzscher, inheritance is not only one, but the most important explanatory factor for the high wealth inequality in Germany (Fratzscher 2020). Currently, the richest 10 percent of society receive half of all inheritances and gifts, while the poorer half receive almost none or even debts. Calculations by the DIW also show that inheritances exacerbate absolute inequality: "It is true that inheritances reduce relative inequality. [...] But at the same time, the wealth gap between heirs and non-heirs widens" (Grabka 2021).

Another important factor contributes to the fact that inheritances increase inequality: according to the subsidy report of the German government, inheritances and gifts are the largest of all tax

subsidies. In a study for the FES, Julia Jirmann has evaluated inheritance and gift tax statistics since 2009.

"The analysis of the statistics according to the tax exemptions for business transfers shows that in the years 2009 to 2020, at least 409 billion euros of transferred business assets were exempted from inheritance and gift tax. [There] was a foregone tax revenue of about 70 billion euros [on transfers of more than 20 million euros] due to the exemptions for business transfers." (Jirmann 2022, 5, 6)²³⁷

This was the status in November 2022. As of today (08/31/2023), as indicated above, it is over 77 billion euros. Moreover, Jirmann shows how unequally large inheritances are distributed: Women receive only one-third of tax-free transfers over 20 million euros (Jirmann 2022, 11), and only two percent of large transfers went to eastern Germany (although over 15 percent of Germans live there, *ibid.*, 16). Of the 95 transfers over 90 million euros, not a single one went to the eastern states (*ibid.*).

The role of the foundation and associations of family entrepreneurs

Already in the historical analysis, the role of the Family Business Foundation was pointed out. As Leipold points out, other actors, such as the Federation of German Industries e. V. (*Bundesverband der Deutschen Industrie*, BDI), from Academia, and the Association of Family Entrepreneurs (ASU, since 2016 *Die Familienunternehmer*) have supported tax plans of Finance Minister Schäuble (Leipold 2020, 7). However, according to *Finanzwende*, *Netzwerk Steuergerechtigkeit*, and *Tax Me Now*, SF and the ASU play a prominent role:

"The associations and foundations of so-called family businesses play a major role in ensuring that the Constitution is still and repeatedly broken for the interests of the richest people in our country." (Finanzwende 2023)²³⁸

That SF and ASU played an essential role in the negotiations on the reform is also underscored by the question posed to the federal government by Lisa Paus (today's Minister of Family Affairs, at the time spokesperson on tax policy for the Green parliamentary group). Paus explicitly asked about these two actors: How often did representatives of the federal government meet with the "*Stiftung Familienunternehmen*" and "*Die Familienunternehmer – ASU*" in the course of the legislative process between December 17, 2014 and the submission of the question on inheritance tax?

²³⁷ "Die Auswertung der Statistik nach den steuerlichen Ausnahmen für Unternehmensübertragungen zeigt, dass in den Jahren 2009 bis 2020 mindestens 409 Milliarden Euro übertragenes Firmenvermögen von der Erbschaft- und Schenkungsteuer ausgenommen wurden. [Es] wurde [bei Übertragungen von über 20 Millionen Euro] durch die Ausnahmen für Unternehmensübertragungen auf Steuereinnahmen in Höhe von rund 70 Milliarden Euro verzichtet."

²³⁸ "Die Verbände und Stiftungen der sogenannten Familienunternehmen spielen eine wesentliche Rolle dabei, dass immer noch und immer wieder die Verfassung für die Interessen der reichsten Menschen in unserem Land gebrochen wird."

(BT 2016b, 8) A total of twelve meetings took place, two of which were with Federal Chancellor Merkel and one with Federal Finance Minister Schäuble (BT 2016b, 9). There have also been good contacts and close exchanges with the Minister-President of Bavaria, Horst Seehofer (Gammelin 2016), as well as with the Minister-President of Baden-Württemberg Winfried Kretschmann (*Stuttgarter Zeitung* 2013).

As Florian Fastenrath et al. show, however, it is more than just direct contacts that lobbyists know how to exploit. Fastenrath and his co-authors (including Achim Truger, member of the German Council of Economic Experts and one of my interviewees) explore the question *Why is it so difficult to tax the rich?* One of their main findings targets the long-running communication strategies of the "tax reduction lobby": first, quoting Norbert-Walter Borjans, they would manage to make the middle class think that they themselves would be affected by inheritance tax reforms; and second, they use narratives according to which jobs and economic growth in particular would be at risk (Fastenrath et al. 2021, 774). These are precisely the narratives that have most frequently found their way into the debates on the last three reforms, as my narrative analysis has shown. In the so-called Baden-Baden Declaration, about 170 family businesses addressed the members of the German *Bundestag*. I quote from the declaration below:

"Leading German family businesses met for their annual congress in Baden-Baden from November 6 to 8, 2008, at the invitation of Prof. Dr. Brun-Hagen Hennerkes, Chairman of the Family Business Foundation. ... In addition to the concrete financial burden, the companies are to face precisely the 'bureaucratic monster' that politicians expressly wanted to avoid. ... It has been known for years that the current inheritance tax law does not comply with the constitution. Family entrepreneurs have been waiting just as long for clarity in order to be able to plan for job preservation and future security. ... Since it has not been possible in recent years to meet the concerns of citizens, family entrepreneurs and the requirements of the Federal Constitutional Court, it would be in the interest and for the benefit of all to follow the example of other countries, especially neighboring German countries, and replace the inheritance tax with another tax."

(Stiftung Familienunternehmen 2008, 1-2)²³⁹

Who *Stiftung Familienunternehmen* are alluding to in their cautious wording is obvious: In 2008, Austria abolished its inheritance tax.

²³⁹ "Führende deutsche Familienunternehmen haben sich vom 6. Bis 8. November 2008 auf Einladung von Prof. Dr. Brun-Hagen Hennerkes, Vorstand der Stiftung Familienunternehmen, zu ihrem jährlichen Kongress in Baden-Baden getroffen. ... Neben der konkreten finanziellen Belastung soll auf die Unternehmen genau jenes 'bürokratische Monster' zukommen, das die Politik ausdrücklich vermeiden wollte. ... Seit Jahren ist bekannt, dass das bisher geltende Erbschaftsteuerrecht nicht der Verfassung entspricht. Ebenso lange warten die Familienunternehmer auf Klarheit, um arbeitsplatzhaltend und zukunftssicher planen zu können. ... Nachdem es in der vergangenen Jahren nicht gelungen ist, den Sorgen der Bürger, der Familienunternehmer sowie den Vorgaben des Bundesverfassungsgerichts gerecht zu werden, wäre es im Interesse und zum Nutzen aller, dem Beispiel anderer Länder, vor allem deutscher Nachbarländer, zu folgen und die Erbschaftsteuer durch eine andere Steuer zu ersetzen."

5 Interviews with the Economic Elites

Now that the historical analysis has shown how the political elites and the inheritance tax narratives and RON in particular have developed over the course of their existence in Mexico and Germany, let us turn our attention to the center piece of this thesis: to the present and towards the powerful actors in form of the economic elites. As described in chapter 3.2.3 (on pages 60-66), I conducted interviews with both the Mexican and the German economic elites as to analyze their narratives about inequality, possible tools to reduce economic inequality, about the state, taxes in general, and the wealth tax in particular. This analysis provides the basis to better classify and understand the narratives about the inheritance tax. While the narratives about the first concepts are very similar – so that one can speak of a strong tendency toward a neoliberal repertoire of narratives (RON) among the economic elites –, opinions differ when it comes to the inheritance tax. Finally, I summarize the results and show which narratives within the different camps (pro/ambiguous/contra) represent a RON on the inheritance tax before I compare the Mexican and German RON and take a critical stand towards the findings and the various RON within both cases.

5.1 Analysis of the Interviews with the Mexican Economic Elite

It is simply not possible to speak of explicit schools of thought regarding the inheritance tax among the Mexican economic elite that I interviewed. Starting with attitudes toward the inheritance tax – whether it is a desirable instrument for reducing inequality – the actors could not be more different in their responses. However, there are several attitudes that almost all actors share. The existing economic inequality, for example, is considered problematic by all without exception. In addition, there is a fundamentally very critical attitude toward the state and government²⁴⁰, a true anti-state stand (with very few exceptions) in accordance with Gabriel Ondetti (2017, 62-65), which explains the attitude toward taxes as an ineffective and inefficient, even illegitimate tool. In the initial analysis, I cannot explicitly differentiate or divide the group; rather, I would speak of nuanced different attitudes within a fairly large camp. In the first step, I aim at reflecting this spectrum of attitudes.

In the next step, I show the narratives of the Mexican economic elite about the inheritance tax. At this level, the camp splits. When asked what they thought of the inheritance tax, there were 55 percent who were clearly against it and 45 percent who were unsure or in favor. But here, too,

²⁴⁰ Even though state and government are concepts to be distinguished from the point of view of political science - I am fully aware of this - I use these interchangeably because they are often used as synonyms by the interviewees, and I would be drawing an artificial dividing line that would not serve the analysis.

this statement alone falls short: some of the concerns of the proponents are so big – again due to the fundamental distrust of the state – or were developed in the conversation in the first place, that it cannot be clearly said that these interviewees would be in favor of an inheritance tax at this point in time. Overall, the predominant assessment is that the inheritance tax represents the "third derivative" (ITV #30) as an instrument for reducing inequality. Before this instrument could be addressed, very different conditions would have to be established and problems solved.

The interviewees shared with me their concerns, explained where their beliefs come from, and in some cases got very specific when they spoke about what they believe will happen in terms of the inheritance tax in Mexico. The purpose of this analysis is to highlight this spectrum of different narratives, the similarities, and differences. To classify the narratives, I worked with Beckert and Arndt's analytical grid to distinguish whether narratives were value-oriented, macrosocial, in regard to dissatisfaction and suspicion, envy and resentment, or property preservation. Here, narratives could be *pro* or *contra vis-a-vis* an inheritance tax. For example, a narrative about inequality could be *pro* if it said that the inheritance tax could reduce inequality or *contra* if the inheritance tax was understood to be unrealistic as an instrument to reduce or would even lead to increased economic inequality.

Table 5.1: Mexican economic elite – list of interviewees

<i>Name</i>	<i>Company/Association</i>	<i>Position*</i>
Guillermo Enrique Babatz Torres	Atik Capital	CEO
Francisco Cervantes Díaz	CCE	P
Cesar de Anda Molina	Vala-Cerc	P
Antonio del Valle Perochena	Grupo Kaluz/CMN	P/P
René Freudenberg	Interlub	CEO
Claudio X. Gonzáles Laporte	MCCI	P
Pablo González Guajardo	KCM	CEO
Marisa Lazo	Pastelerías Marisa	CEO
Luis Madrazo Lajou	Scotiabank	CFO
Carlos Martínez Velázquez	Infonavit	CEO
Francisco J. Mayorga Castañeda	ANG	CEO
José Medina Mora Icaza	CompuSoluciones/COPARMEX	P/P
Carlos J. García Moreno Elizondo	América Móvil	CFO
Tania Rabasa Kovacs	Orbia	VP
Alejandro Ramírez Magaña	Cinépolis/CMN	CEO/M
Jaime Reyes Robles	Jiit	CEO
Alma Rosa Moreno	Pemex	BM
Carlos Vicente Salazar Lomelín	BBVA/CCE	D/P
Armando Santacruz González	Grupo Pochteca	CEO
Carlos Slim Domit	América Móvil/CMN	P/M

*Position at time of interview. | Legend: P: president; VP: vice president; M: member; BM: board member; CEO: chief executive officer; CFO: chief financial officer; D: director.

5.1.1 Inequality is Problematic

For 19 out of 20 actors from the Mexican economic elite, economic inequality is problematic beyond any doubt. This is clear both from the interviews and from the survey, which explicitly asked whether the unequal distribution of income and wealth leads to a problem for social cohesion: half of the interviewees agreed completely with this statement, 44 percent said "rather yes," and only one interviewee answered "rather not." Also, when it comes to what the most important goals of the state should be in the medium term, in first place – ahead of economic growth (25 percent) – was the statement "to eradicate poverty and inequality" (29 percent). In both the survey and the open interview, stakeholders were asked what the worst consequences of inequality are and why it is a problem. While the Survey asked about poverty and inequality together, the interview only asked about inequality. According to the survey, the worst consequences are violence and crime (27 percent), followed by patronage politics (24 percent), and the opinion that it is morally wrong (15 percent; see Appendix table A 4 for survey results, see pages 451-453).

In the interviews, I was able to elaborate on the narratives of the actors more concretely. As a rule, more than just one or two problems were mentioned. Many interviewees brought together different aspects and spoke of political, geographical, social, and economic problems and challenges. Before pointing out the individual narratives on the different areas, it might help to understand how much the different areas are intertwined in perception. No one considered economic inequality as a purely economic problem; although economic narratives emerged most frequently, it can be noted that the actors are fully aware of the impact of economic aspects in political and social spheres.

"It is a problematic issue for Mexico, because economic inequality is so serious, so exacerbated, that it also generates a series of problems. One, although inequality and poverty are different, if inequality were lower, there would also possibly be, depending on the distribution, less people in poverty. Then there would be more opportunities for the poorest segment of population. And also extreme inequality I think generates social resentment, social polarization, and political polarization. So, I think that inequality, especially the extreme inequality you mention, is something that has negative effects on the economic, political, and social development of a country." (ITV #36)²⁴¹

The political narratives about inequality refer primarily to tensions and polarization. Economic inequalities, they argue, are so striking that they have led to a great deal of political backlash, not only in general and in the past, but especially currently (ITV #29). According to one interviewee, for example, the election of AMLO as president is a direct consequence of this long-standing inequality in the form of political polarization, which has now, according to the interviewee, set in motion a less than constructive process (ITV #29); dissatisfaction with AMLO is very pronounced within the economic elite.

A circumstance of inequality specific to Mexico that was frequently mentioned is the geographical inequality between the rich north and the poor south. Some speak of two parts, while others identify three regions between which there is extreme inequality.

"I think that also – and this is something very particular to Mexico – I think that this problem of inequality is also very regionalized. That is to say, I think there are three Mexicos. One is the Mexico of the north and the Bajío, which is a Mexico that is closer to the upper part of the developing countries, that is, the level of education, income and economic success in the northern strip and the Bajío is infinitely superior to that of the south of Oaxaca, Chiapas, Veracruz, Campeche. And then there is the center, which is a sort of hybrid

²⁴¹ For a better reading experience, all quotes from interviews are translated into English. The originals are presented in the footnotes. "Es un problema para México, porque la desigualdad económica tan grave, tan exacerbada, genera también una serie de cosas. Una, aunque desigualdad y pobreza son diferentes, si la desigualdad fuera menor, habría también posiblemente, dependiendo de la distribución, menos población en pobreza. Entonces habría más oportunidades para un segmento de la población más pobre. Y también la desigualdad extrema creo que genera resentimiento social, polarización social y polarización política. Entonces, creo que la desigualdad, sobre todo la que mencionas extrema, es algo que tiene efectos negativos en el desarrollo económico, político y social de un país."

between the two and Mexico City, which is something separate. But I think it is also an inequality in that sense a little bit particular, because if we see the inequality between Nuevo León and Chiapas it is brutal. It is not only inequality between social groups, but also between regions. And we have been able to appreciate this very clearly in the way in which in the last 20 years the Bajío and the north have been inserted into globalization and the south remains the same as it was 60 or 70 years ago." (ITV #25)²⁴²

This regional inequality in Mexico is very pronounced and poses particular challenges for policy-makers. Beyond this particularity, another is mentioned that very much characterizes Mexico: the extreme social tensions that, according to the survey and also from the interviews, lead to violence and crime. Some actors speak of a "social resentment and polarization" (ITV #36), a lack of social mobility (ITV #33), and a lack of social *oportunidades* (ITV #25, 31, 36, 39, 41) that would lead, above all, to Mexico not fulfilling its potential because the many talented people do not get a chance to make something of themselves. This, according to one interviewee, also leads to a "*fricción social*" that makes circumstances bad overall, for the entire population, and diminishes the well-being of both the poor and the rich (ITV #25). Compared to the statements of some other interviewees, these narratives sound downright harmless; social tensions went so far that one could already speak of an "internal war":

"There is a social tension that in the end results in violence and violence against life at the maximum that is possible. I believe that a scheme of symmetries that could exist or that could be acceptable, and not only in Mexico, is being broken. I think that, for example, the violent derivation we have in Mexico comes from there, a kind of internal war, it comes mainly from [inequality] with other ingredients such as drug trafficking and whatever you want, but I see that it is based in principle on a level of inequality that is socially not tolerable." (ITV #27)²⁴³

Some interviewees speak of *Narcos* in the context of inequality and extreme effects on social tensions. The lack of opportunities and low social mobility in the country led children and young people to consciously choose this path for themselves, even if there was a great risk that this choice could be an early death sentence. Thus, one interviewee recited impressions from a study he read that completely aligns with his own assessment of the situation in Mexico.

²⁴² "Creo que también - y eso en México es algo muy particular - creo que este problema de desigualdad también está muy regionalizado. Es decir, yo creo que existen tres Méxicos. Uno es el México del norte y el Bajío, que es un México que se acerca más a la parte superior de los países en vías de desarrollo, o sea, el nivel de educación, ingreso y éxito económico en la franja norte y de bajío es infinitamente superior al del sur de Oaxaca, Chiapas, Veracruz, Campeche. Y luego está el centro, que es una especie de híbrido entre los dos y la Ciudad de México, que es algo aparte. Pero creo que también es una desigualdad en ese sentido un poco particular, porque si nosotros vemos la desigualdad entre Nuevo León y Chiapas es brutal. No nada más es una desigualdad entre grupos sociales, sino también entre regiones. Y eso lo hemos podido apreciar muy claro en la forma en que en los últimos 20 años el Bajío y el norte se han insertado en la globalización y el sur sigue igual que hace 60 años o 70 años."

²⁴³ "[H]ay una tensión social que al final en lo que resulta es violencia y violencia ya atenta contra la vida y lo máximo que tenemos y que estamos en ese grado. Yo creo que se está rompiendo un esquema de simetrías que pudiera existir o que pudiera ser aceptable y no solo en México. Yo pienso que, por ejemplo, la derivación violenta que hay en México viene de ahí, una especie de guerra interna, viene principalmente de ahí con otros ingredientes como el narcotráfico y todo lo que tú quieras, pero yo veo que está basado en principio de desigualdad no tolerable, no tolerable socialmente."

"One of the strongest [reasons for entering the *narco*] is as they said 'I see my father, my uncle, my cousin, the one across the street. We are all still poor and I, well, it is very likely that I will continue to be poor here, I prefer to enter the *narco*, earn money fast, even if I die', because they were told so. 'I don't care, I told my mom at home I have a great time, I have money and because I don't want to live that life that comes from my dad. I still don't want to work and be poor, I don't want to'. It had a huge impact on me." (ITV #38)²⁴⁴

El Narcotraficante is a serious problem in Mexico and, in the context of this work, clearly the blind spot. While I am interested in the narratives of the economic elite, I only talk to those of the formal economy – not the drug world. Yet *Narcos* play an important role in Mexico (ITV #27, 31, 38). Or as one interviewee put it, “if we take a look on the world map, I am not sure how many states have drug problems as we do” (ITV #31)²⁴⁵. There is not only a black market in Mexico which represents a challenge on a global scale, but a large sector of the economy that is controlled by cartels and increasingly permeates the formal economy (ITV #31). This is not only a problem in and of itself, but also in terms of fiscal policy in Mexico.

"So there we enter a series of areas where orthodox fiscal theory does not apply. When there is a large part in the informal economy, when part of that informal economy is controlled by drug traffickers or violent groups: how do we study or how do we begin to correct that?" (ITV #31)²⁴⁶

During the interviews, economic inequality was also very often linked to economic aspects or the economic development of the country. Sometimes statements were straight to the point, as when it was said that inequality was a problem “because people with much wealth do not spend it” (ITV #30)²⁴⁷ or when it was expressed that inequality was “an obstacle for a bigger and better economic development of the country” (ITV #24)²⁴⁸. In fact, however, only rarely has wealth or too much wealth been classified as problematic, as in the statement just quoted. As a rule – and this is one of the findings of the analysis – most actors are convinced that inequality hinders economic growth on the one hand and that economic growth is necessary to reduce inequality (not poverty) on the other.

"Undoubtedly, that is what Mexico needs, Martyna, consistent growth to create a larger, stronger, more prosperous middle class. And with that the country could be another, completely another. But we haven't gotten there because we grow at very low rates, 1% or 2%,"

²⁴⁴ "[U]na de las más fuertes [razones para entrar al Narco] es que decían 'yo veo a mi papá, mi tío, mi primo, el de enfrente. Todos seguimos siendo pobres y yo, bueno, es muy probable que siga siendo pobre aquí, prefiero entrar al narco, ganar dinero rápido, aunque me muera', porque les decía tienes una propia de a los 30 años o entonces, 'no me importa, le dije a mi mamá en la casa yo me la paso súper padre, tengo dinero y porque de todos modos yo no quiero vivir esa vida que viene de papá. Yo no quiero todavía trabajar y ser pobre, no quiero.' Y me impactó muchísimo."

²⁴⁵ "[S]i vemos el mapa del mundo, pues yo no sé cuántos países tengan el problema de narcotráfico que tiene México."

²⁴⁶ "Entonces ahí entramos a una serie de áreas donde la teoría fiscal ortodoxa no aplica. Cuando hay una gran parte de economía informal, cuando una parte de esa economía informal está controlada por narcotraficantes o por grupos violentos: ¿Cómo estudiamos o cómo empezamos a corregir eso?"

²⁴⁷ "porque la gente que tiene mucho patrimonio no gasta".

²⁴⁸ "un obstáculo para un mejor y mayor desarrollo del país".

and then we have years where you grow 4%, but the next year you don't. The key is not to grow consistently at a very low rate, 1% or 2%. The key is to grow consistently at a high rate, at an average rate of at least 4%." (ITV #32)²⁴⁹

Although inequality is considered problematic by every interviewee, there is nevertheless a group of around one-third who see inequality as secondary to other problems, above all economic growth or increasing wages. According to the survey, economic growth is also the second most important goal that a state should set for itself in the medium term. Inequality is important and problematic, but economic growth, from their point of view, is even more relevant.

"I think that inequality is very important, but more important is income growth. ... I think it is more important that there is economic growth and that all the deciles grow and that all grow even if those at the top grow more." (ITV #34)²⁵⁰

Mexico's economy has grown over the last three decades, but, according to one interviewee, this growth has been unequally distributed (ITV #41). The narratives that this group have in common are that inequality in Mexico is problematic as poverty is so pronounced. The actors do not necessarily have a problem with inequality *per se*, but in its existing form they believe it is bad for economic development. If, on the other hand, everyone were lifted higher, like it is the case in Switzerland, which was cited by one actor (ITV #25), inequality itself would not be bad. What is important is that basic needs are met and that there is equality of opportunity (ITV #29, 31, 33, 34, 35).

"Such a model [like Switzerland] does not scare me. In other words, I don't think it's toxic *per se* that there are very rich people. What seems toxic to me is that there are no similar opportunities and no guarantee of decent welfare for everyone." (ITV #25)²⁵¹

Accordingly, any measures to reduce inequality should not be allowed to disrupt economic dynamism. After all, a growing economy is the most important element for Mexico's better development.

"If you subtract economic dynamism, everyone, we all lose. We all lose. I am for economic dynamism with justice, but not to kill economic dynamism. When you kill economic dynamism, then you kill, as we say colloquially in Mexico, the goose that lays the golden eggs.

²⁴⁹ "Sin duda, es lo que México necesita, Martyna, crecimiento consistente para crear una clase media más amplia, más sólida, más próspera. Y con eso el país podría ser otro, completamente otro. Pero no hemos llegado ahí porque crecemos a tasas muy bajas, 1% o 2%, y luego tenemos años donde creces 4%, pero el siguiente año no. La clave es crecer consistentemente a una tasa alta, a una tasa media, al menos un 4%."

²⁵⁰ "Yo soy de la opinión que la desigualdad es muy importante, pero es más importante el crecimiento en los ingresos. ... Yo creo que es más importante que haya crecimiento económico y que todos los deciles crezcan y que todos crezcan aún si los de arriba crecen más.

²⁵¹ "[U]n modelo así [como Suiza] no me da miedo. O sea, a mí no me parece que sea tóxico *per se* que exista gente muy rica. Lo que me parece tóxico es que no haya oportunidades similares y no haya una garantía de bienestar digno para todo mundo."

It is better to see how we can distribute the product of that goose better. But let's not kill the goose that lays the golden eggs." (ITV #37)²⁵²

Another narrative of a different interviewee comes close to the latter. While he understood inequality to be problematic, he repeatedly emphasized that it would be better to have more inequality at the top of the economic distribution pyramid if the entire population were raised to a higher level than to have more poverty overall but less inequality:

"You could have equality down here or inequality up there, which is an explanation that I once heard Margaret Thatcher give. ... That is to say, you can generate equality downwards and make everybody poor, or you can have inequality upwards. ... In Cuba there is no inequality. Maybe you have ten civil servants who earn a lot, but they are all equal at the bottom. ... So what do we want? Equality downwards or inequality upwards?" (ITV #39)²⁵³

Some see economic growth alone as no longer a sufficient condition to be met. About a quarter question this credo, either because it conflicts with environmental goals (ITV #31), because the distribution of growth or wealth within the firm is viewed critically (ITV #27), or from a consideration of the experiences and lessons learned in recent years. For example, one interviewee stated:

"We see a country where there has been economic growth and we thought that economic growth was enough, because this means that there has been investment and that jobs are generated, and with well-paid jobs, wealth is distributed and inequality is reduced. However, the reality is that in spite of having had economic growth, poverty and inequality, instead of decreasing, have increased. ... [W]hat we have to achieve is economic development, it is necessary, but not sufficient. It has to go hand in hand with social development, so that no one is left out. And by the way, it must also go hand in hand with sustainable development. Not using more resources than the planet can regenerate." (ITV #26)²⁵⁴

In conversation with interviewee #26, I learned that this attitude was more than simply stated but was based on a series of studies that interviewee #26 helped to commission. Researchers from

²⁵² "[S]i tú restas dinamismo económico, todo, todos perdemos. Todos perdemos. Yo estoy por el dinamismo económico con justicia, pero no matar el dinamismo económico. Cuando tú matas el dinamismo económico, entonces mataste a, como decimos coloquialmente en México, a la gallina de los huevos de oro. Mejor dediquémonos a ver cómo distribuimos el producto de esa gallina mejor. Pero no matemos a la gallina de los huevos de oro."

²⁵³ "[T]ú podrías tener igualdad acá abajo o desigualdad acá arriba, que es una explicación que alguna vez le escuché a Margaret Thatcher. ... Es decir, tú puedes generar igualdad hacia abajo y hacer que todo mundo esté pobre, o puedes tener desigualdad hacia arriba. ... En Cuba no hay desigualdad. A lo mejor tienes diez funcionarios que ganan mucho, pero todos están iguales abajo. ... Entonces qué queremos? ¿Igualdad abajo o desigualdad arriba?"

²⁵⁴ "Vemos un país en donde ha habido crecimiento económico y pensábamos que con que hubiera crecimiento económico era suficiente, porque esto quiere decir que ha habido inversión y que se generan empleos y con empleo bien remunerado logra distribirse la riqueza y con eso disminuir desigualdad. Sin embargo, la realidad es que a pesar de haber tenido crecimiento económico, pobreza y desigualdad, en lugar de bajar han subido. ... lo que tenemos que lograr, es que haya desarrollo económico, es necesario, pero no suficiente. Tiene que ir de la mano del desarrollo social, que nadie se quede afuera. Y por cierto, también de la mano del desarrollo sustentable. No utilizar más recursos de los que el planeta puede regenerar."

a Think Tank²⁵⁵ analyzed "successful states," such as Germany's social market economy, social capitalism including social responsibility, and produced studies showing that while there must be economic development, it must be social, inclusive, and sustainable within planetary boundaries. Security and ethical integrity form the second pillar alongside this economic model. This points to a discursive shift beyond "economic growth". In this context, another interviewee stressed the importance of measuring more than just GDP, but also social well-being (ITV #35).

Regardless of this expansion, it remains the case that business in general and economic elites in particular remain at the center of these approaches – not politics – and that the free market, free of oligopolies and monopolies, are the overall goal (ITV #26). From these and other discussions, I also learned that there is cooperation between the various business bodies in Mexico and Germany. I was not aware beforehand that some interviewees had excellent contacts with important and big industry associations and think tanks. I cannot assess it for sure, but this proximity and also a cooperation in the elaboration of a new economic model described above would explain well the company-centered design (economic actors in the center) of that model.

5.1.2 Tools for Reducing Inequality: Education and Social Benefits

According to the survey, by far the best tools for reducing economic inequality according to the Mexican economic elite are education (40 percent) and "more efficient social benefits" (35 percent). Education is also the most mentioned and most important tool in the interview. The mention of more efficient social benefits makes sense once we put this answer in relation to the narratives about how the government acts and handles spending; more on this follows in the next section. If we now look at the narratives about education, it becomes clear why there is little mention of other tools. The determination, even vehemence, with which education is preferred as a tool simply leaves no room for anything else – except for one topic: *oportunidades*. Opportunities did not form part of the survey but were expressed in the conversations, and, I would like to emphasize, in every single interview. Similar to the narrative from dishwasher to millionaire in the USA, or the narrative that everyone is the architect of their own fortune in Germany, are the *oportunidades* for the Mexican economic elite – directly linked to education.

All members of the economic elite agree that high qualitative education is "a fundamental factor against inequality" (ITV #24)²⁵⁶; education is "the most natural answer" (ITV #31)²⁵⁷ and "the foundation for everything" (ITV #40)²⁵⁸. One interviewee specifically elaborated that the most important factor is to invest in human capital. Inequality, according to #36, is "a reflection of the

²⁵⁵ As I guarantee anonymity, I cannot state which.

²⁵⁶ "un factor fundamental contra la desigualdad".

²⁵⁷ "la respuesta más natural".

²⁵⁸ "el fundamento para todo".

inequality in human capital" (ITV #36)²⁵⁹. There is a difference of eight years of schooling between the richest and poorest deciles in the Mexican population. He explained why this is so significant as follows:

"There is a formula by Miguel Székely and Horacio Atanasio, some researchers. ... So, following their perspective, the most important asset is education. Education, health, human capital – that are the most important assets. And then, how much of that asset do you have versus another population group? How much can you use that asset and what price does the market pay you for that asset? So, if you have few years of schooling you can work little, because at certain levels of schooling there is little labor supply and the price for that asset is low, that is, the wages paid for it is low. There you have the formula for a low income. So I think the most important task is: to allow the population in the lower income deciles to accumulate more income-generating assets." (ITV #36)²⁶⁰

The educational disparities in Mexico are large. If someone from an educationally disadvantaged family – whether in the countryside or in the city – succeeds to get a degree, this could help the entire family climb the social ladder:

"[I]f they manage to get a son or a daughter to go to study a bachelor's degree or a technical career, immediately after a few years you can see that this family has already climbed a step or two steps, three steps on the socioeconomic ladder." (ITV #31)²⁶¹

But the public education in Mexico, as every single interviewee underlined, is utterly miserable. Not a single interviewee spoke positively or even in mild terms about conditions and quality—quite the opposite:

"Mexican schools, in a good proportion, are not schools, they are not teaching and learning centers, they are nurseries ... They are nurseries for children and young people, but they are not developing their intellectual and moral talents there. And in that sense, when they come to the market, the market reproves them and pays them little." (ITV #37)²⁶²

²⁵⁹ "un reflejo de la desigualdad del capital humano".

²⁶⁰ "Hay una fórmula de Miguel Székely y Horacio Atanasio, un par de investigadores. ... Entonces, bajo esa perspectiva, el activo más importante es la educación. Educación, salud, el capital humano - eso el activo más importante. Y luego, cuánto tienes de ese activo versus otro grupo de la población? Qué tanto puedes usar ese activo y qué precio te paga el mercado por ese activo? Entonces, si tienes pocos años de escolaridad puedes trabajar poco, porque a ciertos niveles de escolaridad hay poca oferta laboral y el precio por ese activo es bajo, es decir, los sueldos que se pagan por eso es bajo. Pues ahí tienes la fórmula de un ingreso bajo. Entonces creo que lo más importante es este: permitirle a la población de los deciles más bajos de ingreso, lograr acumular más activos generadores de ingreso."

²⁶¹ "[S]i logran que un hijo o una hija vaya a estudiar una licenciatura o una carrera técnica, inmediatamente al paso de los años se ve que esa familia ya subió un peldaño o dos peldaños, tres peldaños en la escala socioeconómica."

²⁶² "Las escuelas mexicanas en una buena proporción, no son escuelas, no son centros de enseñanza y de aprendizaje, son guarderías. ... Son guarderías de niños y de jóvenes, pero no están desarrollando ahí sus talentos intelectuales y morales. Y en ese sentido, cuando llegan al mercado, el mercado los reprueba y les paga poco."

According to #37, Mexicans are very hard-working; Mexico's population is among the most hard-working in the world in terms of hours per week worked. But the government is failing to fulfill its responsibility (ITV #40). Asked whether there was a direct link between low taxes and poor education, one interviewee clearly answered no:

"I think they are two parallel issues and they do not intersect, they are two things, although one has to do with the other, but they go in parallel." (ITV #40)²⁶³

In addition to the fundamentally flawed education policy on the part of the government, teacher's trade unions were repeatedly cited as the reason for poor school systems:

"Part of the problem we have here in Mexico is that education – since the postwar period – is controlled by the teachers trade union. ... Before there was one union, now there are two big unions and those unions control the whole educational process and make education of very, very poor quality. ... the most important reason why education in Mexico is of such poor quality is ... is because of the absolute control of the union in public education." (ITV #34)²⁶⁴

When asked whether privatization of the school system would be preferable, the answer was generally a clear negative.

"No, no, no! Let's see, I believe that education should be controlled by the State and it should be free. But it's one thing for it to be controlled by the State and another thing for it to be controlled by the teachers' union." (ITV #34)²⁶⁵

Education is not only important at school age, but also throughout the employees' lives. One interviewee cited the importance of further training within the company, which has led to employees being able to grow and develop in accordance with the company (ITV #38).

In addition to education, the most important instrument raised by most interviewees was equal opportunity. Some even spoke of equality of opportunity to be the best means of reducing inequality (ITV #32, 35, 38, 39) and being an even bigger problem than economic inequality (ITV #31, 32, 39): "Inequality is a question of opportunity" (ITV #39)²⁶⁶. The issue of equal opportunity is directly linked by some to the issue of inequality: it is due to missing equal opportunity that

²⁶³ "Yo creo que son dos temas paralelos y no se cruzan, son dos cosas, aunque sí tiene que ver una cosa con otra, pero van paralelamente."

²⁶⁴ "[A]quí parte del problema que tenemos aquí en México es que la educación - desde otra vez desde la posguerra - está controlada por el sindicato de Educación. ... Antes había un sindicato, ahora hay dos grandes y esos sindicatos controlan todo el proceso educativo y hacen que la educación sea de muy, muy mala calidad. ... la razón más importante por la que la educación en México es ... de tan mala calidad, es por el control absoluto del sindicato en la educación pública."

²⁶⁵ "No, no, no! A ver, yo creo que la educación debería de ser a cargo del Estado y debe ser gratuita. Pero una cosa que esté a cargo del Estado y otra cosa es que esté a cargo del sindicato de maestros."

²⁶⁶ "[L]a desigualdad es un tema de oportunidad".

economic inequality is so great in the first place, or that economic potential is so underutilized (ITV #31). This lack of equality of opportunity is directly and normatively linked to questions of justice:

"Mexico is profoundly unjust, laceratingly unjust in how opportunities are distributed and how material goods are distributed. But I would put emphasis on opportunities, because goods are very poorly distributed, because opportunities are very poorly distributed."
(ITV #37)²⁶⁷

The lack of equal opportunity is also problematic, this actor argued, because talent is randomly distributed across all classes of the population: poor, middle, and rich. If talented children are not given a chance to foster and develop, their talent will be wasted (ITV #25, 35). One actor explicitly stated that he is aware his good fortune and current position is directly related to being born into his families (ITV #35). Beyond wealth in concrete terms, opportunities are comprehensively about access to mobility (ITV #35), nutrition, education, and integration into the economy (ITV #25).

The demand for equal opportunities is accompanied by the aspiration of meritocracy as an ideal form of society; the concept itself may not be perfect, but it is the best of all, and consequently Mexico should understand meritocracy as a goal (ITV #29). However, according to the results of the survey and the interviews, this is a goal that Mexico is currently far from reaching. According to the survey, most agree that someone who is very rich in Mexico generally rather did not earn that wealth (56 percent) or did "not at all" (6 percent) earn his wealth; about one in four (28 percent) think they are more likely to have earned their wealth, and few are absolutely convinced of the merit of the rich (6 percent). Asked specifically whether Mexico is a meritocracy, the answers are consistently negative. Some say "no" (ITV #24, 29, 34 among others), others point this out emphatically:

ITV #27: "No, no, no, no, no! No, no, no, no es. No, it is not meritocratic."

Linartas: "Okay."

ITV #27: "No, it's not meritocratic. It's not meritocratic. The answer is clear."²⁶⁸

As mentioned at the outset, many interviewees did not just name one or two tools for reducing inequality, but often put them in relation to each other. The combination of the need to stimulate economic growth, invest in education and health, and establish equal opportunities and a meritocracy came up particularly frequently, as was the case for the following actor:

²⁶⁷ "México es profundamente injusto, lacerantemente injusto en cómo se distribuyen las oportunidades y cómo se distribuyen los bienes materiales. Pero pondría énfasis en las oportunidades, porque los bienes se distribuyen muy mal, porque las oportunidades están muy mal distribuidas."

²⁶⁸ ITV #27: "No, no, no, no, no! No, no, no, no es. No es meritocrático."

Linartas: "Okay."

ITV #27: "No, no es meritocrático. No es meritocrático. La respuesta es clara."

"So, to put an end to inequality, I would say there is no quick way to do it. And in my opinion, the best thing to do is to implement a policy that generates growth, in general, and I believe that it is essential to have a magnificent education, and that is why it is a matter of time, because education does not change quickly. And once it is changed, the generations have to go through it. So, based on a good education, on good health systems and a good system, I will say this: education and health – these are the two basic pillars. After that, we can talk about some other interventions towards poverty, and so on. But the most important thing is an environment where there is economic growth and where there is a lot of emphasis on free and good quality of education and health. And that all of this takes place in an environment of meritocracy." (ITV #34)²⁶⁹

During the interviews, I first had actors speak openly about possible tools to reduce inequality. Most of the open responses are shown above. Some further tools were mentioned, for instance with regard to the development of interest rates, which would help the problem partly solve itself:

"[T]hey're going to fix themselves, because if the increase in wealth is because rates went down, now rates are going to go up. So [inequality] is supposed to go down. So part of that is going to be compensating itself." (ITV #30)²⁷⁰

Other mentions were made directly in response to the differentiation of the various forms of economic inequality: income inequality and wealth inequality. When asked about income inequality, in addition to education, better wage policies were mentioned several times (ITV #26, 27, 32, 33, 36, 38, 41; once more jobs in general, #39). In this regard, five actors not only addressed the minimum wage on the part of the government but advocated that economic actors themselves should ensure fairer wage policies within their enterprise (ITV #26, 27, 32, 38, 41), and namely "substantially in double digits over the next ten years for incomes at the bottom of the pyramid" (ITV #41)²⁷¹. At the same time, some actors denounced how poor this readiness was within the economy, such as #27:

"If you misallocate within companies, you have and you generate inequality. I have some friends that are businessmen and I know that in some cases, half of the profit or of the

²⁶⁹ "Entonces, para acabar con la desigualdad, yo diría no hay manera rápida de hacerlo. Y en mi opinión, lo mejor que se puede hacer es instrumentar una política que genere crecimiento, generalizado, y creo que es indispensable tener una magnífica educación y por eso es un tema de tiempo, porque la educación ni la cambia rápido. Y ya que está cambiada, pues las generaciones tienen que ir pasando por ahí. Entonces, basado en una buena educación, en buenos sistemas de salud y un buen sistema, pues yo diré eso: educación y salud - son las dos básicas. Después de eso, podemos hablar de algunas otras intervenciones hacia la pobreza, etcétera. Pero lo más importante es un entorno donde haya crecimiento económico y donde haya mucho énfasis en educación gratis y de buena calidad y salud. Y que todo esto se dé en un entorno de meritocracia."

²⁷⁰ "[S]e van a arreglar solitas, porque si el aumento en la riqueza es porque las tasas bajaron, ahora las tasas van a subir. Entonces se supone que [la desigualdad] va a bajar. Entonces parte de eso se va a ir compensando solita."

²⁷¹ "sustancialmente al doble dígito por año los próximos diez años el ingreso de la base de la pirámide".

profit from the company's resources, they say 'goes to me, to the person, and the other half goes to everyone.' Well, this is simply not a model that promotes equality." (ITV #27)²⁷²

When it comes to wealth inequality, as opposed to income inequality, the range of responses is broader. Some interviewees stick to their tools. "I think it is the same as I just said. I think that wealth inequality is the consequence of many years of income inequality" (ITV #36)²⁷³; "again, jobs" (ITV #39)²⁷⁴. However, most actors would complement their tool kit. For example, opportunities and programs should be created, "programs so they could buy their first house, as to begin with a business and become entrepreneurs" (ITV #36)²⁷⁵. One actor mentioned speculation in the financial markets, which needs to be stopped, especially since the financial market has now surpassed the real market in size and importance (ITV #27). Two actors mentioned "sharing" as a keyword (ITV #26, 41), in the sense of better participation of workers through better wages (ITV #41) and philanthropy depending on the interests of each individual (ITV #26). I expressed my surprise to Actor #26 because in Germany, when it comes to distribution, taxes are often brought into play, not just philanthropy. But, the actor replied that one cannot compare Germany and Mexico at this point. In contrast to Germany, tax revenues in Mexico are extremely low, which is also due to the fact that 56 percent of the population works in illegal employment. The topic of the so-called *informalidad* is understood by all actors as an enormous problem, so we will turn to it in detail in a moment.

Quite a number of interviewees, however, have suggested a more progressive tax policy as a way of reducing wealth inequality. I will discuss the wealth tax in more detail below, but it should be noted at this point that opinions differ widely on this issue. Some would be in favor of introducing a wealth tax (ITV #23, 24, 38), although these actors are also very skeptical when it comes to its implementation. As one interviewee said when asked what would help to reduce wealth inequality:

"Well, once again, once again a wealth tax. But in this country the issue of wealth taxation has neither been accepted nor experimented with." (ITV #23)²⁷⁶

Other actors explicitly opposed the wealth tax because impoverishing the rich would not achieve the goal. Rather, the goal should be to help the poor become wealthier (ITV #37). We will come to the narratives about the wealth tax explicitly. At this point, it is only worth mentioning that, upon inquiry and after some time, taxes are indeed mentioned as an instrument to reduce inequality.

²⁷² "Si se reparte mal dentro de las empresas tienes y generas una desigualdad. ...Hay algunos empresarios amigos, yo sé que por ejemplo en algunos casos la mitad de la utilidad o de la ganancia de los recursos de la empresa 'van para mí, para la persona, y la otra mitad pues ahí entre todos.' Pues esto simplemente no es un modelo que impulsa la igualdad."

²⁷³ "Yo creo que es muy similar a la anterior. Creo que la desigualdad de la riqueza es consecuencia de muchos años de desigualdad en el ingreso".

²⁷⁴ "nuevamente el empleo".

²⁷⁵ "programas para que puedan comprar su primera vivienda, para que puedan arrancar un negocio y volverse emprendedores".

²⁷⁶ "Pues una vez más, una vez más un impuesto a la riqueza. Pero en este país el tema de los impuestos a la riqueza no ha sido ni aceptado ni experimentado."

One interviewee brought up on his own that low incomes should be taxed lower and instead an inheritance tax should be levied so that the poorer in society would have more of their income. This interviewee also wondered why Mexico does not yet have an inheritance tax when most OECD countries do. Referring to his own employees, he said:

"[I]t's a small salary and they have to spend part of it on taxes ... it's fine that they have to pay, but sometimes I would say that they shouldn't have to pay so much, that they have more of their salary left. So maybe if you introduce new taxes in our country, why not on inheritances? There is no inheritance tax." (ITV #38)²⁷⁷

Another aspect that is frequently mentioned, but for most of them only later in the course of the interviews when I steer the conversation toward taxes, was mentioned first by one interviewee: impunity must be addressed because it is the cause of insecurity and corruption. Mexico needs to become a constitutional state in order to provide physical and legal security (ITV #39). Secondly, stability is needed to have a planning framework in the economy, and thirdly, taxes must be collected efficiently (ITV #39).

After openly asking which tools to reduce inequality the interviews would consider, I also explicitly asked what the interviewees thought of taxes for this purpose – if they did not already mention them on their own (ITV #23, 25, 29, 32, 36, 38, 39). Frankly, I must admit that I was surprised to find that there was only one interviewee who explicitly rejected this idea (ITV #40). In general, provided taxes were targeted and would not be too high, interviewees were in favor of taxes to that end.

Before turning to narratives about taxes in general, I highlight narratives about the state. Attitudes toward the state also lay the foundation for understanding the economic elite's narratives about taxes. As indicated in the theoretical model, the role assigned to the state determines how actors feel about the level and design of tax policy.

5.1.3 The Corrupt, Incompetent State

When the state or government (which I use interchangeably given as it is an emic term in the scope of the interviews) were discussed, most actors became disparaging, with some paraphrasing and others expressing their negative criticism very openly. Hardly anyone voiced confidence in the government; most denounced corruption, a lack of transparency, denied the politicians any economic ability, and accused the state of establishing oligopolies and monopolies. According to the interviewees, the state should establish rules in the neoliberal sense and intervene only and if

²⁷⁷ "[E]s un sueldo pequeño y tienen que pagar una parte de impuestos ... está bien que tengan que pagar, pero yo a veces digo que no tengan que pagar tanto, que les quede más de su su sueldo. ¿Entonces a lo mejor si les pones impuestos en nuestro país, porque no a la herencia? No hay impuesto a la herencia."

necessary. Nevertheless, it would be desirable for the state not only to act more efficiently, but also to take on new responsibilities. But one after the other.

Corruption is a much-mentioned obstacle on the part of economic actors. According to one interviewee, the perception of corruption is a fluctuating phenomenon which is difficult to measure:

"Corruption sentiment and anti-corruption sentiment have been super volatile. That is, the PRI was unacceptably corrupt in 2013, but a year earlier it had been acceptably corrupt and was just as corrupt and won an election. And then in 2015 it wins the mid-term election again. So the perception of corruption and anti-corruption sentiment fluctuates quite a bit. I think corruption may have gone up, down, the truth is: I think it's hard to measure it." (ITV #29)²⁷⁸

Another interviewee would agree with this statement: Corruption is difficult to measure and has probably always been problematic in Mexico (ITV #38). Unlike these actors, most interviewees told me that they perceive corruption to have increased.²⁷⁹ However, as noted, interviewees spoke of this as nothing more than hearsay (ITV #24). Due to a high degree of corruption, there is a lack of social trust (ITV #27), there is basically trust in "nothing at all" – on the contrary, Mexico suffers from "enormous distrust" (ITV #29). One actor went so far as to speak of politicians openly as "a pack of rats"²⁸⁰: "Sure there are good [politicians]. But the percentage of bad ones..." (ITV #33)²⁸¹. This distrust and negative opinion exist also about the economic elites. In fact, I hardly spoke to anyone who attributed positive qualities to the economic elite – *their own* group of actors. But this group would have, according to one actor, better "incentives." Corruption exists both in the private sector, but in politics the phenomenon is more pronounced (ITV #41). My uncle (former deputy finance minister of Mexico) is explicitly mentioned as an exception to the rule; most politicians would not be trusted with one's money. The following excerpt clearly demonstrates the attitude that I have experienced in a similar way in many conversations:

ITV #33: "Let's come back to your relative Messmacher. To me he seems a man, he seems to me to be a man out of the ordinary, that is to say, he is a man of integrity, honest, profound. Everything, he has all the qualities. I would give him my money, but if you tell me 'give it to the one who is there, the one who is there with the income', 'give it to the governor that I have in my state', I say he is going to steal it. Or if he does not steal it, he will steal the cans, the projects he is going to undertake, for example. López Obrador is not going to

²⁷⁸ "El sentimiento de corrupción y el sentimiento anticorrupción han sido súper volátiles. O sea, el PRI era inaceptable corrupto en 2013, pero un año antes había sido aceptablemente corrupto y era igual de corrupto y ganó una elección. Y luego en el 2015 vuelve a ganar la elección intermedia. Entonces la percepción de corrupción y el sentimiento anticorrupción fluctúan bastante. Creo que la corrupción puede haber subido, bajado, la verdad: creo que es difícil medirla."

²⁷⁹ FACT CHECK: According to the Rule of Law Index which "measures the absence of corruption in government" by worldjusticeproject.org, Mexico ranks 135th (across 139). Only Uganda, Camaroon, Cambodia and Congo are worse. World Justice Project 2023, [Link](#) [24.04.2023].

²⁸⁰ "una sarta de ratas".

²⁸¹ "Claro que hay buenos [politicos]. Pero el porcentaje de malos ..."

steal the money, he is not a man who is going to steal for himself, but he does not have the capacity. And for this you have to have..."

Linartas: "Why does he have no capacity?"

ITV #33: "Because he's not educated."²⁸²

Various times I was told that the lack of trust is also due to the lack of transparency. Transparency simply does not exist. To give an example, one interviewee reports that only two states have given 100 percent account of how they use their funds to the *Auditoría Superior de la Federación*, which depends directly on the Chamber of Deputies. This would not mean that the others had robbed or embezzled funds; most states "just did not justify how they used their revenues. This is what is missing" (ITV #26)²⁸³. Transparency, according to many interviewees, is necessary: Mexico needs "a wave of transparency" – in private as well as public sectors, in the structures and the processes (ITV #41)²⁸⁴.

As a rule, the actors see the need for the state to intervene in economic areas and to do so within the free market. These interventions should be "targeted, intelligent and efficient" (ITV #23). But skepticism is high. Interestingly, this is often the case when the actors themselves have been in politics – which applies to many actors. Half of the actors worked in a ministry before or after their careers in the private sector, most in the Ministry of Finance. What one actor summarizes vis-à-vis the state is therefore representative of the narratives of several other actors:

"I'm very skeptical, since I was in school, that the government can fix things. Very skeptical. More skeptical after having been working in government. And in that sense, yes, I am a liberal, a believer in the market economy and in a limited role for government, but a very relevant role. ... [I believe] government has a limited role and that the role of government is to set the rules for things to work well and only intervene where there is a clear failure and where that failure can be fixed." (ITV #34)²⁸⁵

Pointing towards the current situation and figures on poverty and inequality in particular, the interviewees feel affirmed: over years and decades the state proves to be incompetent and inefficient (ITV #26, 29, 33). Although tax revenues are too low – as the survey reveals – the problem lies on the expenditure side (ITV #33, 38, 39). Increasing tax revenues would simply not change

²⁸² ITV #33: "[V]uelvo a tu pariente Messmacher, me parece un hombre fuera de serie, o sea, es un hombre íntegro, honesto, profundo. Todo, tiene todas las cualidades. Yo a él sí le daría mi dinero, pero si tú me dices "dáselo al que está, hay al que está ahí de ingresos", "dáselo al gobernador que tengo yo en mi estado", yo digo ese se lo va a robar. O si no se lo roba las latas, los proyectos que va a emprender, por ejemplo. López Obrador no se va a robar el dinero, no es un hombre que se vaya a robar para él, pero no tiene capacidad. Y para esto hay que tener..."

Linartas: "Porque no tiene capacidad?"

ITV #33: "Por qué no está educado."

²⁸³ "simplemente no han justificado en qué se utilizaron. Eso es lo que nos hace falta".

²⁸⁴ "ola de transparencia".

²⁸⁵ "Estoy muy escéptico, desde que estaba en la escuela, de que el gobierno puede arreglar las cosas. Muy escéptico. Más escéptico después de haber estado involucrado en el gobierno. Y en ese sentido, si soy liberal, creyente en la economía de mercado y en un rol acotado para el gobierno, pero un rol muy relevante. ... el gobierno tiene un papel acotado y que el papel del gobierno es poner las reglas para que las cosas funcionen bien y solamente intervenir donde hay una clara falla y donde esa falla puede ser arreglada."

the situation for the better. The government's economic incompetence is expressed in various ways: the state "is not a good businessman" (ITV #26)²⁸⁶, is a "bad administrator" (ITV #35)²⁸⁷, there is a lot of "mismanagement" (ITV #29), and politicians act with a short-term perspective according to what gets them most votes (ITV #41). Instead of teaching the poor to fish, the current government feeds them for a day (ITV #38). Raising taxes would not do much good when viewed this way because "the simple fact that you record and raise the money does not assure you that the money is going to be well-used... let's not forget, a state with higher revenues does not mean higher welfare" (ITV #33)²⁸⁸. This attitude is also expressed in the survey. "The privatization of public services and parastatal companies in Mexico over the past decades" should be expanded, according to most respondents: 36 percent held this opinion, 28 percent agreed that the development was to the right extent, and 25 percent said it went too far. The majority opinion is consistent with the following statement:

"The government ... has shown that it is not a good businessman, in such a way that when a company is managed by the government, well, what has happened is that it has losses. We can still see it with the two companies that the government keeps, Pemex [Petroleos Mexicanos] and CFE [Comisión Federal de Electricidad], ... once a profitable company, today it loses money." (ITV #26)²⁸⁹

Another actor puts it this way:

"It's a disaster. At least in Mexico. The government has never been an effective businessman. It loses money in what it does. Unfortunately. They should leave it to the entrepreneurs what they can do best and charge them every penny of their taxes." (ITV #37)²⁹⁰

The state's inability is also directly related to tax revenues. Thus, two interviewees emphasized that Mexico's ability to collect taxes was "problematic" or not "robust" from its very beginning (ITV #23, 29). But more on this in the next section on taxes (see page 285). The general view was that the state should stay out of the economy and focus on a few specific areas: security, education, health, infrastructure. In other areas, economic players would always perform more efficiently than the state apparatus: "[t]he government is far more inefficient than someone who is looking out for their own money" (ITV #39)²⁹¹. The following statement underscores this view with a concrete example:

²⁸⁶ "no es un buen empresario".

²⁸⁷ "mal administrador".

²⁸⁸ "el simple hecho de que tú grabes y captas el dinero no te asegura que ese dinero va a ser bien usado... no se nos olvide, el Estado con mayores ingresos no significa un mayor bienestar".

²⁸⁹ "El gobierno ... ha demostrado que no es un buen empresario, de tal manera que cuando una empresa la maneja el gobierno, pues lo que ha sucedido es que tiene pérdidas. Lo vemos todavía con las dos empresas que conserva el gobierno, Pemex y CFE, ... fuera una empresa rentable, hoy pierde dinero."

²⁹⁰ "Es un desastre. Por lo menos en México. El gobierno nunca ha sido un empresario eficaz. Pierde dinero en lo que hace. Desafortunadamente. Creo en dejarle a los empresarios lo que ellos deben hacer mejor y cobrarles hasta el último centavo de sus impuestos."

²⁹¹ "[e]l gobierno es mucho más ineficiente que alguien que está cuidando su propio dinero".

"Pemex, managed by the private sector, would not have the problems it has, nor the CFE would have the problems it has, and they would not be costing so much. Those companies cost us all a lot of money because they are tremendously inefficient, tremendously corrupt. Instead of that money going to opportunities or justice, it goes to Pemex and CFE. So I don't think the government should operate there." (ITV #32)²⁹²

In describing the role of the state, it is perhaps apparent why I speak of a broad camp and yet of the very same one: even if there are differences on the question of the design of tax policy – which I will show below – the narratives of the economic elite on the role of the state consistently come from the same neoliberal pen. On rare occasions I received the opportunity to speak to some actors about the concrete concept of neoliberalism. With respect to most actors, however, I would concede that I am the one who ascribes that label to them. But I do so thoughtfully and with the awareness that there is no such thing as "the" one neoliberalism. However, some aspects can be clearly identified in comparison with other paradigms and based on my interviews.

I was able to talk in detail about neoliberalism with an actor who has experience in both business and politics (ITV #34). In his opinion, the term neoliberal is unpopular and often directly associated with corruption, so that some who would actually ascribe themselves to this paradigm prefer to speak of themselves as liberals. But in fact, according to the actor, he does not see much difference between these two concepts. What would he mean by neoliberalism? "El Washington Consensus" (ITV #34). By the *Washington Consensus* he understands

"competitive markets, trade openness at the international level, including free trade agreements, financial liberalization, i.e., no control of credit flows, no control of deposit prices, no control of loan prices, and 'targeted' social intervention." (ITV #34)²⁹³

All these neoliberal ideas, the actor stresses, are not in contradiction with an active social policy; but social policy must always be "targeted", "focused on individuals and using the market to promote the solutions"²⁹⁴. During our conversation, the actor made it clear that he was convinced that Mexico needed to follow the neoliberal path and that many of Mexico's problems stemmed from the fact that neoliberalism had not been fully implemented:

"I believe that in Mexico things have not worked for many reasons, but among others, because the basic principles of the Washington Consensus were not taken as far as they

²⁹² "Pemex, manejada por el sector privado, no estaría en los problemas que tiene, ni CFE, estarían los problemas que tiene y no le estarían costando tanto. A todos nosotros nos cuestan un dineral esas empresas porque son tremendamente ineficientes, tremendamente corruptas. En vez de que ese dinero vaya a oportunidades o justicia, pero no a Pemex y a CFE. Entonces yo creo que el gobierno no tiene que hacer ahí."

²⁹³ "mercados competitivos, apertura comercial a nivel internacional, incluyendo los tratados de libre comercio, liberalización financiera, es decir, no controlar los flujos de crédito ni controlar los precios de los depósitos, ni de los préstamos e intervención social 'targeted'."

²⁹⁴ "enfocada a los individuos y utilizando al mercado para promover las soluciones".

should have been. In addition to many failures in the implementation. And a very high dose of corruption." (ITV #34)²⁹⁵

With this attitude, #34 is not alone.²⁹⁶ Another actor was just as clear, explaining that Mexico lacks the implementation of a true competitive, liberal market and instead suffers from the existence of oligopolies and monopolies due to great corruption on the part of politicians and the most powerful economic actors:

"Look, I believe that in the particular case of Mexico, the country has not known how to promote a truly competitive free market. I do believe that the creation of companies and jobs is the main way to generate wealth in a country. If you generate companies that generate profits, that pay taxes and create jobs, you will have an increasingly wealthier country. But in Mexico, on the one hand, there has always been a difficult environment for companies in general. On the other hand, there has been a very oligopolistic environment where there is a very close relationship between certain business groups and the government, and then a lot of business is done with government favoritism, with an exchange of favors between big businessmen and the government, with a very weak competition commission that allows monopolies and oligopolies to exist, with precautionary practices and uncompetitive pricing practices, and so on. So, I think that one of the things that should change in this country is that we should have a more aggressive competition promotion system where all these oligopolistic and monopolistic practices are dismembered."
(ITV #25)²⁹⁷

The first economic actor concurs, calling Mexico's most powerful economic elites the "first antiliberals" (ITV #34)²⁹⁸, "because they have privileges, because they have monopolies, because they have businesses based on privileges granted to them by the government in exchange for giving money to those who grant them those privileges. And that's what has been going on for years and years and years" (ITV #34). The problem of oligopolies and monopolies is mentioned many times. Many actors see these as the main reason for a lack of free competition, so that wealth

²⁹⁵ "[C]reo que en México las cosas no han funcionado por muchas razones, pero entre otras, porque los principios básicos del Washington Consensus no se llevaron hasta donde se tendrían que haber llevado. Además de muchísimas fallas en la instrumentación. Y una dosis muy alta de corrupción."

²⁹⁶ Albert Hirschman classifies this statement as one out of two propositions of the orthodox position, namely that according to this position, "there is only one economics ('just as there is only one physics') (see Hirschman 2017, 54).

²⁹⁷ "Mira, yo creo que, hablando el caso particular de México, creo que es un país que no ha sabido promover un libre mercado realmente competitivo. Yo sí creo que la creación de empresas y de empleos es la principal forma de generar riqueza en un país. Si se generan empresas que generan utilidades, que pagan impuestos y que generan puestos de empleo, vas a tener un país cada vez más rico. Pero en México, uno, ha habido un entorno desde siempre difícil para las empresas en general. Por otro lado, ha habido un entorno muy oligopólico en donde hay una cercanía muy grande entre ciertos grupos empresariales y el gobierno, y entonces mucho negocio se hace con favoritismos del gobierno, con intercambio de favores entre empresarios grandes y gobierno, con una comisión de competencia muy débil que permite que existan monopolios y oligopolios, con prácticas precautorias y prácticas de precios no competitivos, etcétera. Entonces, yo creo que una de las cosas que en este país debería cambiar es que deberíamos de tener un sistema de promoción de competencia más agresivo en donde se desmiembra todas estas prácticas oligopolios y monopolías."

²⁹⁸ "primeros antiliberales", porque "porque tienen privilegios, porque tienen monopolios, porque tienen negocios basados en privilegios que les otorga el gobierno a cambio de darles dinero a los que les otorgan esos privilegios. Y eso es lo que ha sucedido durante años y años y años".

cannot be built up as it could without these market distortions (ITV #31). In one conversation, an actor recounts how, at a conference with other economic actors, Víri Ríos' book *No es normal* was discussed with the book's author herself. Ríos reproached economic actors who are not among said oligopolies and monopolies for not being aware of it, and in response many of these actors “got really upset” (ITV #27)²⁹⁹. Of course they are aware. And not amused.

As dissatisfied as the interviewees are with the state and consider it corrupt and incompetent, the role that the state should play – within its clearly defined framework – is nevertheless important. However, according to the actors, the government plays this role very poorly. Clientelism would make a neoliberal economic order impossible, *oportunidades* would not be promoted appropriately, and in addition and in accordance with the results of the survey, the state should also take more money into its hands to protect the population, invest in climate protection, modern schools, universities, and infrastructure. More than half of all respondents would be in favor of such expenditures being made through increases in taxes and debt, just as almost all (except one) would be in favor of higher tax revenues overall. How these higher taxes should be achieved is the topic of the next section.

5.1.4 Taxes: Higher Revenues without Higher Rates

The question in the survey about whether tax revenues of 16.1 percent of GDP in 2019 should be increased was answered in the affirmative by all but one actor interviewed: tax revenues were too low. Or as one actor puts it: “It’s a shame” (ITV #38)³⁰⁰.

Taxes, economic actors also agree, should be paid more by those who are wealthier. “There is always talk of those who have more paying more. Well, yes, of course” (ITV #35)³⁰¹. But while most believe richer people should pay more taxes, that does not necessarily mean direct taxes are the first or only choice. Taxes on consumption, especially the IVA (short for *Impuesto sobre el Valor Añadido*, equivalent of VAT), are also mentioned frequently (ITV #34, 36, 37, 41). On the one hand, the IVA is often preferred because it is easy to collect; on the other hand, the interviewees prefer those taxes as in their opinion the IVA has no negative effects and incentives (*incentivos*) on production, as specifically described by one actor (#ITV 34). However, there is a lot of room for maneuvering, because currently the exemptions of the IVA are large – too large – and, unlike in Germany, for example, food and medicines are exempt from the IVA.³⁰² The actors view this skeptically:

²⁹⁹ “se enojaron mucho”.

³⁰⁰ “Es una vergüenza”.

³⁰¹ “Siempre se habla de que paguen más los que más tienen. Pues sí, por supuesto”.

³⁰² FACT CHECK: The VAT exemption applies to domestic products and to many, not all, foodstuffs. Thus, bread, tortillas, milk, eggs, fruits, vegetables, water do not incur IVA; meat, fish, cheese and processed foods are taxed at a reduced 8 percent.

"All Mexicans consume food and medicines and yet we all pay 0 percent tax on food and medicines. Perhaps it has been debated a lot, it would have a high political cost, but consumption taxes seem to me to be very good and allow us to collect a lot, they allow us to remove a lot of evasion and eventually channel that additional collection to the poorest income deciles. So, for example, all my life I have not paid for the food I buy at home. I should pay taxes, but I think we should all pay taxes on food. And what we pay for the six richest deciles or five richest deciles, channel it, support the three poorest deciles.... [I] think that is another cause of the low revenue in Mexico, that there is exemption for food and medicines from VAT and in almost every country in the world a tax is paid for food and medicines." (#ITV 36)³⁰³

When asked about the regressive nature of the IVA and the academic position, among others, that the tax would thus hit the poorer segments of the population more, interviewee #36 said that the rich would consume more and thus pay more taxes. In sum, according to interviewee #36, the IVA would create a broad tax base, generate a lot of tax revenue, and this could then be targeted and invested in infrastructure and social projects that the poorer segments of the population need the most.

"A poor family that is below the moderate poverty line, if one year they spend 50,000 pesos in IVA or 100,000 pesos in IVA on food, what they can receive is much more than that. Because let's say, there are three deciles that are below the poverty line, but there are seven other deciles that don't pay anything for food either. And they consume much more food and more expensive food than these three deciles. So what the government is going to collect from taxing everyone, it can then channel it to the three poorest deciles, in such a way that more than compensates for what they spent, if they paid 100,000 pesos in IVA, they can receive from social investment 300,000." (ITV #36)³⁰⁴

The narratives on higher tax revenues mostly have the same tone: tax revenues must increase, but while revenues might go up, rates should remain at their level. One interviewee believes that higher tax revenues are "aspirational" but unlikely to be realistic currently (ITV #24). In fact, so interviewee #24, higher tax rates would currently achieve the opposite of the desired effect and

³⁰³ "[T]odos los mexicanos pues consumimos alimentos y medicamentos y sin embargo todos pagamos 0 por ciento de impuesto a alimentos y medicamentos. Quizás se ha debatido mucho, tendría un alto costo político, pero los impuestos al consumo me parece que son muy buenos y permiten recaudar mucho, permiten quitar mucha evasión de recovecos y eventualmente esa recaudación adicional, canalizarla a los deciles más pobres de ingreso. Entonces, por ejemplo, yo toda mi vida no he pagado por los alimentos que compro en mi casa. Yo debería de pagar impuestos, pero creo que todos deberíamos de pagar impuestos por los alimentos. Y lo que pagamos los seis deciles más ricos o cinco deciles más ricos, canalizarlo, apoyar a los tres deciles más pobres... [C]reo que esa es otra causa de la baja recaudación en México, que hay exención para alimentos y medicamentos del IVA y en casi todos los países del mundo se paga un impuesto por alimentos y medicamentos."

³⁰⁴ "Una familia pobre que está abajo de la línea de pobreza moderada, si al año se gasta 50.000 pesos en IVA o 100.000 pesos en IVA de alimentos, lo que puede recibir es mucho más que eso. Porque digamos, hay tres deciles que están abajo de la línea de pobreza, pero hay otros siete deciles que no pagan tampoco nada por alimentos. Entonces, y consumen mucho más alimentos y alimentos más caros que estos tres deciles. Entonces lo que va a recaudar el gobierno de gravar a todos, luego lo puede canalizar a los tres deciles más pobres, de tal forma que más que compense lo que gastaron, si pagaron 100.000 pesos en IVA, pueden recibir en inversión social 300.000."

would likely cause revenues to fall even further. Two other actors raise the issue of Mexico's weak ability to collect taxes.

"[T]he Mexican state's capacity to collect taxes has never been robust, compared to almost any other country with a similar level of development. This is partly explained by oil. We are a country that discovered oil many, many years ago and in the 1970s there was a boom in prices and production in Mexico and at the time when we should have matured our tax system we did not." (ITV #29)³⁰⁵

This actor historically locates the beginning of Mexico's weak tax policy in the 1970s.³⁰⁶ Furthermore, he argued, as did many others (for example, ITV #24), that the state is not only incapable of collecting taxes, but that the state simply lacks legitimacy. This lack of legitimacy is structural:

"There is no legitimacy to tax. ... Why do I think there is no legitimacy? ... The quality of services that people receive are non-existent. This is one of the richest neighborhoods ..., in the country, probably, and we have never had to fill potholes. Never." (ITV #29)³⁰⁷

Another interviewee shared this view, and repeatedly emphasized that he would be willing and even happy to pay more taxes if they were used sensibly and if results were seen, such as in Germany or Switzerland (ITV #38). I talked with these interviewees about whether it was not a vicious circle: the state collects little revenue and therefore it can invest little, but because it invests little, citizens are dissatisfied with the state. He agreed with that. But where should this vicious circle be broken? The problem is the lack of trust in politics. Unfortunately, Mexico's history has shown that taxes have not helped to reduce inequality. But would democratically elected politicians not be able to turn the tide by virtue of their legitimacy?

"Not alone, no. No, never. ... Of course I am very much in favor of democracy, no doubt about it. ... It is the best way. But the history of our country has shown us that how politicians use their power and the ease with which they can steal and have no consequences makes people stop believing ... I would do something else, at least for a while, maybe with time it could be like in your country or in other places, but for a while that certain organizations like the distribution of these taxes would be with half politicians and half people from the civil society. ... Because the problem is that if we have a government like the one

³⁰⁵ "[L]a capacidad del Estado mexicano para cobrar impuestos nunca ha sido robusta, comparado contra casi cualquier otro país con un similar nivel de desarrollo. En parte se explica por el petróleo. Somos un país que descubrió petróleo hace muchísimos años y en los 70 hubo un boom en los precios y en la producción en México y en el momento en que debimos haber madurado nuestro sistema fiscal no lo hicimos."

³⁰⁶ FACT CHECK: Ondetti (2019) shows that low tax revenues were and remained low much earlier; the result of my analysis is also that tax policy took a turn as early as the 1940s.

³⁰⁷ "No hay legitimidad para cobrar impuestos. ... Por qué creo que no hay legitimidad? ... La calidad de los servicios que recibe la gente son inexistentes. Este es uno de los barrios más ricos ..., del país, probablemente, y nunca hemos tenido para tapar baches. Nunca."

we have now, the only thing it cares about is winning votes, so we would have programs that do not reduce poverty, but only feed instead of teaching how to fish." (ITV #38)³⁰⁸

Overall, taxes are generally seen as a burden: "It's a burden, it's a demand from the government and I have nothing in return, and it doesn't give me any kind of rights" (ITV #24)³⁰⁹. Moreover, taxes are an obligation and a topic discussed only in small elite circles in Mexico (ITV #24). In principle, the idea of taxes is important for a democracy, but "[e]very time the government takes a little more away from society, the money that gets passed from here to here becomes more inefficient" (ITV #39)³¹⁰.

In these circles, attitudes toward the spending side of taxes are surprisingly clear: tax expenditures, or rather the lack of investment on the part of the government, is a main concern for all interviewees. "I think we have two goals: to increase the tax revenue and then decide very well how we spend it. Right now, we waste a lot" (ITV #32)³¹¹. In principle, the interviewees are not completely opposed to taxes, but the problem on the expenditure side is described with particular emphasis in all interviews.

"[M]y impression is that if Mexicans saw that those taxes were used in a correct, honest, transparent way and that we would have benefits, as in Sweden or Germany, of hospitals, super quality education, super highways, et cetera et cetera, people would say go! [But] it is a lousy administration. There is enormous corruption and the money doesn't arrive." (ITV #38)³¹²

Taxes are not only perceived as problematic on the expenditure side but are also unfairly structured in their existing form on the revenue side. One aspect that was mentioned frequently were the numerous exemptions. These exceptions include the aforementioned food and medicines in regard to the IVA, but also the so-called *ejidos*, as well as the special treatment of particularly powerful economic actors in terms of oligopolies and, above all, one thing: informality.

³⁰⁸ "Solos, no. No, jamás. ... [P]or supuesto que yo estoy súper a favor de la democracia, sin lugar a duda. ... Es la mejor manera. Pero la historia de nuestro país nos ha mostrado que el poder de la manera en que tienen los políticos y la facilidad con la que pueden robar y no tener consecuencias hace que la gente termine... yo haría algo más, al menos por un tiempo, tal vez con el tiempo podría ser como en tu país o en otros lados, pero por un tiempo que ciertas organizaciones como la repartición de estos impuestos estuvieran con la mitad de políticos y la mitad de personas de la sociedad civil. ... Porque el problema es que si tenemos un gobierno como el de ahorita, que lo único que le importa es ganar votos, pues va a ser por los programas que no disminuyen la pobreza, sino solamente son los pescados en vez de dar a pescar."

³⁰⁹ "Es una carga, es una demanda del gobierno y no tengo nada a cambio y no me da ningún tipo de derecho".

³¹⁰ "[c]ada vez que el gobierno quita un poco más a la sociedad, el dinero que se pasa de aquí a acá se vuelve más ineficiente".

³¹¹ "[C]reo que son dos los que tienen que ser los goals: elevar la recaudación allá y luego decidir muy bien cómo lo gastamos. Porque lo estamos tirando en muchos casos".

³¹² "[M]i impresión es que si los mexicanos viéramos que esos impuestos fueran utilizados de una manera correcta, honesta, transparente y que tuviéramos beneficios, como en Suecia o Alemania, de hospitales, de educación de súper calidad, de súper carreteras, etcétera etcétera, la gente diría va! [Pero] es una pésima administración. Hay una corrupción enorme y el dinero no llega."

The *ejidos* were cited by three interviewees (ITV #23, 30, 31). According to one interviewee, *ejidos* accounted for more than 50 percent of Mexico's land area and pay no taxes (ITV #31). Thus, not only would tax revenues be lost, but inequality would be created in the first place. Another actor described the development as follows:

"The serious problem that Mexico has is that, as a result of the social inequality to which you refer, there is a governmental weakness in collecting taxes from social groups that are not necessarily poor, that are incapable of contributing, but that do have this facade of incapacity. What do I mean? You know the history of Mexico, the history of a revolution that took place at the beginning of the last century and generated a great land reform. A great redistribution of land. So called *ejidos* are created, which are these large communities that own the land and some of them, a good amount of them, are productive and earn money. All that agriculture is not taxed, because it has a name called *ejido* and regardless of the wealth or income level of its members, by definition, they are exempt. And I give you this example as an example of the multiplicity of economic groups in the country that do not pay taxes. So you have in Mexico a country with a rich, with an important industry, with an important agriculture, with an important export and with a relatively low tax collection capacity in view of this economic capacity. And that has been the weakness of the government." (ITV #23)³¹³

The interviewees and I talked time and again about how tax revenues could be increased. By far the most frequently cited topic was that of *informalidad*. A very large proportion, about 56% percent of the population, do business informally. In consequence, as my interviewees emphasize, the tax base is extremely small; a large part of the population pays no taxes.

Furthermore, the shadow economy is also problematic for the actors who operate within it as their productivity is low and they cannot obtain credit, which means that they cannot continue to invest in their businesses, let alone obtain credit for real estate or the like (ITV #22, 25). Easing the tax policy would be in everyone's interest:

"What should governments do to broaden the tax base? It is to generate a very simple tax. If you want to pay your taxes as an individual, it is very complicated; you have to get into it. ... So, I think that a tax simplification with a mechanism where the government tells you how much you have to pay in taxes that are reasonable, could broaden the tax base

³¹³ "El grave problema que tiene México es que, producto de la desigualdad social a la que hace referencia, hay una debilidad gubernamental para ir a recaudar impuestos en grupos sociales que no necesariamente son pobres, que son incapaces de aportar, pero que sí tienen esta fachada de incapacidad. ¿A qué me refiero? Tú conoces la historia de México, la historia de una revolución que se hace a principios del siglo pasado y se genera una gran reforma de la tierra. Una gran redistribución de la tierra. Se crea lo que se llaman *ejidos*, que son estas grandes comunidades que son dueñas de la tierra y que algunas de ellas, una buena cantidad, son productivas y ganan dinero. Toda esa agricultura no es gravada, porque tiene un nombre que se llama *ejido* e independientemente de la riqueza o nivel de ingreso de sus miembros, por definición, están exentos. Y te pongo este ejemplo como un ejemplo de la multiplicidad de grupos económicos del país que no pagan impuesto. Entonces tú tienes en México un país con un rico, con una industria importante, con una agricultura importante, con una exportación importante y con una capacidad de recaudación relativamente baja ante esta capacidad económica. Y esa ha sido la debilidad del Gobierno."

drastically. People who are in informality, if they had an easy way to pay taxes, they would do it, because paying taxes gives them social security." (ITV #39)³¹⁴

The issue, according to almost all interviewed economic agents with reference to informal work, is thus not low tax rates, but mainly the small tax base:

"If you look at the tax rate for companies, for individuals, it is not so low. The problem is that very few of us are paying. It is the formal part of the economy and all the informal part is not paying. If you were to incorporate the informal part, then it would allow you to raise that percentage. ... Here in Mexico informality is 55, 60 percent. So, the number is very high." (ITV #32)³¹⁵

But beyond that, as one actor suspects, it is also an excellent excuse for the economic elite not to pay more, since they can always point towards *informalidad* as the first problem to address:

"[T]he informal economy is so big [compared to employment] that ... so that the formal economy has that great excuse that 'there is a large informal economy that does not pay taxes. Don't turn to me until you solve the problem of the informal economy'. The problem of the informal economy is a very strong problem because there are very strong power groups in this area, which also includes a problem of the structure of the tax administration agreement in the country. The federal level collects taxes. The states and the municipalities have a minimal participation in the collection of taxes per se, so this generates an administrative problem, independently of the legal problem of reaching these groups that are the ones that manage the whole informal economy. ... You have a legal problem, and you have a very serious administrative problem." (ITV #23)³¹⁶

According to the same actor (ITV #23) as well as another (ITV #25), it is reasonable to assume that President AMLO has no interest in getting people out of the informal economy. The following statement summarizes well a series of problems and challenges that are interrelated, but arguably

³¹⁴ "¿Qué es lo que deben de hacer los gobiernos para ampliar la base fiscal? Es generar un impuesto muy sencillo. Si tú quieres pagar tus impuestos como persona física, es muy complicado; te tienes que meter. ... Entonces yo creo que una simplificación fiscal con un mecanismo en donde el gobierno te diga cuánto te toca pagar de impuestos que sean razonables, podría ampliar la base fiscal drásticamente. La gente que está en la informalidad, si tuviera una forma fácil de pagar impuestos, lo haría, porque pagar impuestos les da seguridad social."

³¹⁵ "[S]i tú ves la tasa impositiva para las empresas, para las personas, no es tan baja. El problema es que son muy pocos los que estamos pagando. Es la parte formal de la economía y toda la parte informal no está pagando. Sí incorporaras a la parte informal, entonces te permitiría subir ese porcentaje. ... Aquí en México la informalidad es el 55, 60 por ciento. Entonces es altísimo el número."

³¹⁶ "[L]a economía informal es tan grande que ... da esa gran excusa la economía formal de que 'hay una gran economía informal que no paga impuestos. No voltees hacia mí en tanto no resuelvas el problema de la economía informal'. El problema de la economía informal es un problema muy fuerte porque hay grupos de poder muy fuerte en esa área que incluye también una problemática de la estructura de acuerdo de la administración de impuestos en el país. En el país quien recaudan los impuestos, es el impuesto federal que produce el gobierno federal. Los estados y los municipios tienen una participación mínima en la recaudación per se de los impuestos, entonces eso genera un problema administrativo, independientemente del problema legal de llegar a estos grupos que son los que manejan toda la economía informal. ... Tienes un problema legal y tienes un problema administrativo muy serio."

– as the interviewee is also aware – represent only a hypothesis, or in other words, their own narratives:

"I understand why the regimes have not changed it, but it is a perverse reason, and it is a political reason, because they are clients of the governments. And López Obrador's clientele essentially live in informality and so he does not want to bother that clientele, he gives them handouts and support to continue in that logic. But there is no logic to see how we can better train future generations so that they do not work in the informal sector, that they work in the formal sector, that they become taxpayers. So, I am afraid that going back to the initial point, that Mexican government revenues are very low, not because the rates are low, but because the collection system is bad, because the spending system is bad, very bad. There is a lot of corruption in Mexico. Probably today more than ever. Whatever López Obrador says, corruption is rampant and then people don't want to pay taxes because they say 'so they can steal them, or what for?'" (ITV #23)³¹⁷

It is therefore essential to facilitate the conditions for entering the formal economy (ITV #25, 39). The actors agree that taxes are an important institution for a democracy.

In the scope of the interview I asked the actors how important they consider taxes to be, by prompting them to agree or disagree with a statement by Gabriel Zucman and Emmanuel Saez. I quoted Saez and Zucman and asked whether they agree or disagree that "taxes are the most important institution of any democratic society." About half of the interviewees agreed with this statement:

"I certainly do. I'm convinced." (ITV #23)

"Yes. That's what I was explaining to you." (ITV #33)

"Without knowing their work, I could tell you that in principle yes." (ITV #35)³¹⁸

A great advantage of the anonymous interviews and the generally trusting sphere is also that some interviewees speculated openly with me about some concepts, as in the following in relation to this question:

³¹⁷ "[S]í entiendo por qué los regímenes no lo han cambiado, pero es una razón perversa y es una razón de índole político, porque son clientelas de los gobiernos. Y las clientelas de López Obrador esencialmente viven en la informalidad y entonces él no quiere molestar a esa clientela, les es de dádivas y de apoyos para seguir en esa lógica. Pero no hay esta lógica de ver cómo a las generaciones futuras las formamos mejor para que no trabajen en la informalidad, que trabajen en la formalidad, que se vuelvan contribuyentes. Entonces, yo me temo que el regresando al punto inicial, que los ingresos del gobierno mexicano son muy bajos, no porque las tasas sean bajas, sino porque el sistema de recaudación es malo, porque el sistema de gasto es malo, muy malo. Hay muchísima corrupción en México. Probablemente hoy más que nunca. Con todo y lo que diga López Obrador, la corrupción es rampante y entonces la gente no quiere pagar impuestos porque dice 'para que se los roben, ¿o para qué?'"

³¹⁸ "Desde luego que sí. Estoy convencido." (ITV #23)

"Sí. Es lo que yo te estaba yo explicando." (ITV #33)

"Sin conocer el trabajo de ellos, te podría decir que en principio sí." (ITV #35)

"I don't know. I don't know if it's the most important institution, but it's very important, no doubt. I mean... Yes, yes, I think so. I don't know if it's the most important. I don't know how to classify it, but yes, yes, there has to be a transfer of value. I have told you that the most important key here is the companies, because that is where value is captured, but I believe that they do not achieve it at all. And besides, they can only do it in their own circle, so... Yes, there has to be a transfer... Yes, I think so." (ITV #27)³¹⁹

The other half acknowledged that taxes play an important role but they understand other institutions to be more important. It is crucial to collect taxes, of course, but, according to one interviewee, taxes do not come first (ITV #34). This statement might apply to other countries or theoretically, but not to Mexico (ITV #24, 38, 41). Some refer to Mexico or Latin America where this statement is not in accordance with the political reality, such as the following actor:

"I think it is important, but unfortunately, in Latin American it clashes with our culture. It's like a short circuit to make it in a very frank way, to express my opinion. Surely the political answer should be 'yes, I totally agree with the authors of the book' [laughs], but I think that in practice it is not so." (ITV #41)³²⁰

Other actors based their testimony on the Mexican perspective which revealed that they could not agree with this statement by Saez and Zucman:

"I don't think that's the most important institution. The most important is the rule of law. Without rule of law there is no democracy. ... The rule of law is so very important. Tell me where there is real economic dynamism that does not have this rule of law basis? Complicated. And in Mexico it is almost nonexistent." (ITV #37)³²¹

The actors who opposed the statement of taxes being the most important institution generally emphasized the context of Mexico: "for Mexico it does not apply" (ITV #38)³²². In the US "they take it for granted" (ITV #36) because they have had democracy for 300 years, while Mexico, according to actor #36, has only been able to truly speak of democracy for 20 years, after the first transfer of power since the Mexican Revolution. In Mexico, democracy must first function reasonably, and the basis for this is first and foremost a "rule of law" (ITV #36, but also #32, 38, 39)³²³.

³¹⁹ "No sé. No sé si lo más importante, pero es muy importante, sin duda. O sea... Sí, si, creo. No sé si es lo más importante. No sé cómo clasificarlo, pero sí, sí, tiene que haber una transferencia del valor. Te he dicho que la clave más importante aquí son las empresas, porque ahí sí se captura, pero yo creo que no lo logran del todo. Y además lo puede hacer solamente en su círculo, entonces. ... Sí, tiene que haber una transferencia... Sí, me parece que sí."

³²⁰ "Yo creo que es importante, pero desafortunadamente, en la cultura latinoamericana eso choca. Es como un cortocircuito para hacerlo en forma muy franca, la opinión. Seguramente la respuesta política debería ser 'sí, estoy totalmente de acuerdo con los autores del libro' (ríe), pero creo que en la práctica no lo es así".

³²¹ "[N]o creo que eso es lo más importante. Lo más importante es el Estado de Derecho. Sin Estado de Derecho no hay democracia. ... El Estado de Derecho es "so very important". ¿Dime dónde hay verdadero dinamismo económico que no exista esta base del Estado de Derecho? Complicado. Y en México 'it is almost nonexistent.'"

³²² "para México no aplica".

³²³ "Estado de derecho".

"Here [in Mexico] we have to start by defending the basic principles of democracy, respecting the law, respecting freedom of expression. So, I do believe that taxes are a fundamental institution. But there are others." (ITV #32)³²⁴

Once I asked openly for appropriate tools for reducing inequality, I asked explicitly whether the interviewees would consider taxes to be a good tool. Many respondents expressed positive views. One actor made the reference to Northern Europe: various Northern European states had shown that taxes can play a key role. There were a few interviewees who directly addressed taxes on their own (ITV #22, 23, 25, 38); two other actors, when asked directly about it, ranked taxes as the most important tool:

"[I]t is the most important tool, taxes. Because if not, where does the government get from to help education, health, infrastructure, roads? Let's say direct transfers, inclusive ones, right?" (ITV #36)³²⁵

"Taxes are the best institution because taxes allow you, at the time you collect them, to have an impact on inequality and, at the time you spend them, to have another additional positive impact on inequality." (ITV #29)³²⁶

Other actors put the role of taxes into perspective from their personal practice in the Ministry of Finance. Within the Ministry of Finance, taxes, according to one actor, were always considered theoretically and practically only from the point of view of efficiency. At least during his time, reducing inequality was not an objective at all; other tools would be more practical for this (ITV #23). Another actor, in turn, being in good company of several others, is skeptical along precisely these lines:

"I think it can certainly be a tool, but I think it is less powerful than other tools and trying to do distribution through the tax route is not very efficient." (ITV #30)³²⁷

One interviewee said that taxes, if well-structured, well-implemented, and well-executed, could under certain circumstances reduce inequality. However, this is currently not the case, and it is very difficult to change the status quo because too many interests are affected (ITV #24). If taxes are not established and spent according to certain rules, they could also have the opposite effect and reproduce inequality instead of reducing it (ITV #31).

³²⁴ "Aquí [en México] tenemos que empezar por defender los principios básicos de la democracia, respetar la ley, respetar la libertad de expresión. Entonces, sí creo que los impuestos son una institución fundamental. Pero hay otras."

³²⁵ "[E]s la herramienta más importante, los impuestos. Porque si no, ¿de dónde saca el gobierno para ayudar a la educación, salud, infraestructura, carreteras? Digamos transferencias directas, inclusivas, ¿no?"

³²⁶ "Los impuestos son lo mejor porque los impuestos te permiten, al momento de cobrarlos, tener un impacto en la desigualdad y al momento de gastarlos, tener otro impacto adicional positivo en la desigualdad."

³²⁷ "Creo que sin duda puede ser una herramienta, pero creo que es menos potente que otras herramientas y que tratar de hacer distribución por la vía fiscal no es muy eficiente."

Structurally, there have been hardly any changes in tax policy under President AMLO; in his election program, he made clear that there would be no tax increases with. In exchange, however, another act of AMLO's is widely seen in a very positive light: namely, collecting taxes from large companies in the country and thus closing huge existing loopholes. In Mexico's past, it was common for big national and international enterprises to pay little or no taxes, or for horrendous taxes to be waived. One actor shared the anecdote of the takeover of Banamex, one of Mexico's oldest banks, by Citibank in 2002 – a case that exemplifies Mexico's tax privileges for the richest and evokes complete incomprehension. Of particular interest, according to actor #30, is the responsible Finance Minister himself:

"When they sold [the bank] in 2002, those who sold it did not pay taxes. So, these are some of the things that bother me a lot, and yes, I think I agree with all of this, that it is a lack of respect for the law. Curiously, the person who was Mexico's Secretary of the Treasury at that time was a professor at ITAM. His experience of many years before, the only thing he had done many years before in the Treasury, was the subject of taxes. So, an educated person, he had studied in Chicago, his doctorate in Mexico, and being Secretary of the Treasury, you sell the most important bank that the country had and somehow those who sell do not pay taxes? I don't understand it." (ITV #30)³²⁸

This form of privileging the richest actors and largest companies is what many interviewees denounce and understand as a structural problem in terms of oligopolies and corruption. When AMLO took office, he announced that he would break with this practice and make the big companies pay. The same actor who told the anecdote about Banamex stated about AMLO's actions:

"Now this President Lopez Obrador comes along and he has been very hard on the tax part. So many people say that 'he is the devil'. But the truth is, what I saw that he has done, also to us, audits and more, I think it is good. I think it's good because there was a major problem." (ITV #30)³²⁹

Other actors also indicated on their own that they approve of these arrangements by president AMLO, even though they are generally very skeptical of the president and his government:

"I am not a fan of this government, zero, but if anything, they are doing well, they are doing that well. Going and demanding and collecting and fighting for what companies and

³²⁸ "[C]uando vendieron en el 2002, los que vendieron [no pagaron impuestos. Entonces, estas son de las cosas que a mí me molestan muchísimo y que sí, yo creo que coincido con todo esto de que es una falta de respeto de la ley y las cosas. Curiosamente, el que era secretario de Hacienda de México en ese tiempo era un profesor del ITAM. Su experiencia de muchos años antes, lo único que había hecho muchos años antes en la Hacienda, era el tema de impuestos. Entonces, una gente con educación, había estudiado en Chicago, el doctorado en México, y siendo secretario de Hacienda, ¿vendes el banco más importante que tenía el país y de alguna forma se permite que no paguen impuestos los que venden? Yo no lo entiendo."

³²⁹ "Ahora llega este presidente López Obrador y ha estado muy duro con la parte de impuestos. Entonces mucha gente dice que 'es el diablo'. Pero la verdad de lo que yo he visto que ha hecho, incluso con nosotros, es de auditorías y más, yo creo que está bien. Yo creo que está bien porque había un problema importante."

individuals must pay. They are not doing the part of trying to attract informality to formality. In that regard they are doing absolutely nothing. But those who have captives, those that have always been charging, are being taxed much more heavily. And if they are charging much more, that is great, I think they are doing very well in doing that. That has to continue." (ITV #32)³³⁰

"In fact, if this government has done something right, it is that it has charged those who did not want to pay. Even though the economy has not grown, the tax collection has, and it has been by charging those who did not want to pay. Large national and international companies. So, we believe that this is something, something positive." (ITV #26)³³¹

In this context, one actor expressed his appreciation that, for the first time in Mexico's history, a president, despite being from the left, reduced government spending instead of raising taxes. This measure, "I see it well" (ITV #39)³³². In addition, the president reviewed the efficiency of numerous social programs (1200, according to the interviewee) and eliminated them because only 10 centavos of one peso – as the Ministry of Finance put it at the beginning of the legislature – had reached the population.

"90 [cents] was lost in corruption, in inefficiency and bureaucratic spending and in programs that didn't work at all. The politicians asked themselves: What are we going to do? Take away the 1200 programs and give the money directly to the people, right? So, in that kind of thing I think yes, the government has been more efficient in giving the money to the people directly." (ITV #39)³³³

Whether these policies would be sustainable is written on a different page, as one interviewee stated. He does not believe so, "no chance in hell" (ITV #29). If asked, he is particularly critical of the collection of taxes from large companies and entrepreneurs as these would begin to look for ways to avoid taxes. For as long as there is a weak "rule of law," no confidence will be generated to invest within Mexico; the capital will flow elsewhere.

³³⁰ "Yo no soy fan de este gobierno cero, pero si algo están haciendo bien, si están haciendo bien eso. Bien el ir y exigir y recaudar y pelear por lo que las empresas y las personas físicas tienen que pagar. No están haciendo la parte de intentar atraer a la informalidad a la formalidad. Eso no están haciendo absolutamente nada. Pero a los que tienen cautivos, a los que les siempre les han venido cobrando, sí los están fiscalizando mucho más fuerte. Y si están cobrando mucho más y eso está muy bien, yo creo que hacen muy bien en hacer eso. Eso tiene que continuar."

³³¹ "De hecho, este gobierno, si algo hecho bien es que le ha cobrado a los que no querían pagar. A pesar de que la economía no ha crecido, la recaudación sí, y ha sido por cobrarle a los que no habían querido pagar. Grandes empresas, nacionales e internacionales. Entonces, creemos que eso es algo, algo positivo."

³³² "la veo bien".

³³³ "90 [centavos] se perdieron en corrupción, en ineficiencia y gasto burocrático y en programas que no funcionaron para nada. [Se preguntaron en las políticas:] ¿Qué vamos a hacer? Quitar los 1200 programas y darle el dinero directo a la gente, ¿no? Entonces, en ese tipo de cosas creo que sí, el gobierno ha sido más eficiente en llevarle el dinero a la gente directamente."

5.1.5 Wealth Tax: Somewhere between Unrealizable and Bad Per Se

Taxes in general were not the only topic of discussion with the economic elite; the wealth tax was also explicitly addressed. At no moment in time throughout Mexico's history has a wealth tax been seriously considered: "[T]here is not a very strong conviction, I must say ... there was never a serious struggle, a strong conviction to establish a wealth tax" (ITV #23)³³⁴. As far away as Mexico has been from introducing a wealth tax, as big was my interest in the narratives of the economic elite about it.

As part of our discussions, I quoted Viri Ríos (2021) and the IMF to find out the elites' attitudes toward a wealth tax. My question was: "Until recently, according to Viri Ríos, it was completely unusual to talk about wealth taxes in Mexico. But now even the IMF has suggested that Mexico should introduce these to help pay for the costs of the pandemic. Do you agree with the IMF that the introduction of a wealth tax could help finance the economic needs created by the pandemic?"

The camps are clearly divided on this question. Overall, there are only a few supporters who are open to the idea in conversation, even though it was obviously new to them. "I think yes. ... The quick answer to this question is yes" (ITV #27)³³⁵. To the extent that some of them were open to the idea, however, this openness was usually accompanied by a great deal of skepticism.

"In principle it sounds good. I have not studied in depth the economic implications, that is, the fact that whoever has more should pay more taxes, is it fair. ... If that is going to discourage further investment to generate wealth, well, the important thing is that it is generated and well distributed. So, taxing those who have the most does not necessarily mean that it is going to be better distributed. But in principle that is a correct idea." (ITV #26)³³⁶

As with taxes in general, he said, it would depend very much on whether the wealth tax would be implemented well and whether the revenues would be used in an economically viable way. "Because if [the government] would tax wealth and continue to use revenues as it is currently the case, the revenue that taxes bring, well, I don't see it having a positive impact" (ITV #38)³³⁷. It is often argued that a wealth tax should under no circumstances hinder the generation of more wealth or economic growth. This is particularly important when wealth is primarily tied up in business assets:

³³⁴ "[N]o hay una convicción muy fuerte, debo decirlo...nunca hubo una lucha verdaderamente, una convicción fuerte de establecer un impuesto a la riqueza".

³³⁵ "Creo que sí. ... La respuesta rápida es sí."

³³⁶ "En principio suena bien. No he estudiado a fondo las implicaciones económicas, es decir, el hecho de que quien más tiene pague más impuestos, es justo. ... Si eso va a desincentivar el que se siga invirtiendo para generar la riqueza, lo importante es que se genere y se distribuya. Entonces, no necesariamente por cobrar el impuesto al que más tiene se va a distribuir mejor. Pero en principio eso es una idea correcta."

³³⁷ "Porque si van a poner impuesto a la riqueza y se van a seguir utilizando como se utilizan actualmente, la riqueza que trae los impuestos, pues no veo que tenga un impacto tan positivo".

"I think so, but you have to be very smart and very careful in how you do it. ... you have to design mechanisms that give alternatives where it says well, if your main patrimony is an illiquid source, you have a company that is not listed on the stock exchange or whatever, that is, well, that patrimony tax, you can pay it over time of x, with interest or whatever you want, but that allows you to generate the sources of liquidity to pay it." (ITV #25)³³⁸

However, these voices are the exception (ITV #25, 26, 27, 36, 38). Skepticism prevails; but more than this, rejection of the wealth tax in general dominates. Some actors are not only opposed to the idea; they accuse the IMF and the OECD of not understanding the Mexican fiscal system.

"They get involved to see what they have there. The discussion you have in Europe is fine, it is good that it is the subject there, but it has nothing to do with what we have in Mexico! What I am saying is that we should not stay in the air, at the OECD level. They see everything the same... Get down to Mexico, to understand the tax system." (ITV #30)³³⁹

Moreover, different narratives were told: the responses can be distinguished according to whether the actors believe that the tax is bad in and of itself or whether it would be difficult to implement a wealth tax. The latter includes those who think that the idea may be good in principle and that a wealth tax could help reduce inequality or generate tax revenue. The question, however, is whether this tax would be a relevant, important, priority instrument for Mexico.

"I don't think so. I believe that if we do not have the capacity to tax income, trying to collect on wealth is going to generate an outflow of capital, a concealment of wealth, in other words, the enforcement capacities of the Mexican State are so weak. The clumsiness... that is structural! I am talking about this previous administration, and the previous to that, and the previous to that. This administration is so weak, so clumsy, so incompetent, that the only thing it has managed to do is something in the very short term." (ITV #29)³⁴⁰

Other actors detailed that a wealth tax in Mexico would not generate higher tax revenues but would simply cause greater capital flight abroad than already exists (ITV #31, 34, 38). I asked one actor whether capital flight was not also related to the political will to stop this very flight. The answer was very clear:

³³⁸ "Yo creo que sí, pero hay que ser muy inteligentes y muy cuidadosa en como se hace. ... tienes que diseñar mecanismos que den alternativas donde dice bueno, si tu principal patrimonio es una fuente ilíquida, tienes una empresa que no cotiza en bolsa o lo que sea, es decir, bueno, pues ese impuesto al patrimonio, lo puedes pagar a través de un plazo de equis, con interés o lo que tú quieras, pero que te permita ir generando las fuentes de liquidez para pagarlo."

³³⁹ "[E]llos se meten a ver lo que ellos tienen allá. La discusión que tienes en Europa está bien, que bueno que sea el tema, ¡pero tiene que ver con lo que tenemos en México! ... Yo lo que digo es que no nos quedemos en el aire, a nivel de la OCDE. Que lo ve todo igual... Bájate a México, a entender el sistema fiscal."

³⁴⁰ "Creo que no. Creo que, si no tenemos capacidad de recaudar sobre el ingreso, tratar de recaudar sobre la riqueza lo que va a generar va a ser una salida de capitales, un ocultamiento de la riqueza, o sea, las capacidades del 'enforcement' del Estado mexicano son tan débiles. La torpeza... ¡eso es estructural! Estoy hablando de esta administración anterior, la anterior, la anterior. Esta administración es tan débil, tan torpe, tan incompetente, que lo único que ha logrado hacer es algo a muy corto plazo."

"No, simply not; it will happen for sure. If they impose a wealth tax, there will be even more capital flight than there already is. And today any Mexican can have all his wealth in the United States, in trusts that are completely protected from the US wealth tax. Taxes are not going to work if they do not work all over the world. In other words, today you go to the United States and pay zero wealth tax, zero, if you put it in a trust, if you have a lawyer to help you, a not so expensive lawyer, you take all your wealth to the United States and you do not pay a cent of wealth tax." (ITV #34)³⁴¹

While he did not like that this is the case, he was convinced that a wealth tax would create incentives to move the wealth out of the country and therefore no significant revenue could be raised. It would therefore be better to tax income and consumption (ITV #34). Wealth taxes, according to this group of interviewees, are simply not feasible. One actor called them "the third derivative" (ITV #30). Wealth taxes have not worked in other countries in the past and they would not work as of today (ITV #33). It is simply too easy to move one's capital offshore (ITV #29, 31). Or to express it in another way, the ability of the wealthy to move or disguise capital is greater than the capacity of the government to tax wealth sensibly (ITV #29). Actually, the wealthy should share much more of their profits with workers, but, as one actor pointed out, the elites do not actually practice the values and principles that they purport to share:

"It is one of the main problems of our country, that I believe that the elite class, let me call that way the upper class, the businessmen do not have that nor does the political class have that conscience, those values and those principles, we do not have them. I believe that we do not have them. I'm generalizing, and of course there are those who do, but when I look at it as a whole ..." (ITV #32)³⁴²

Furthermore, it is often argued, a wealth tax would mean an intervention in the genesis of wealth, would be economically damaging (ITV #34), and "a punishment for success" (ITV #41)³⁴³. Actors #35, 37, 39, and 41 are also firmly opposed to wealth taxes because they would tax the substance, disrupt economic dynamics, the result would only be more bureaucracy, and because a wealth tax would simply not achieve its goals:

³⁴¹ "No, porque no; seguro va a pasar. Si ponen un impuesto a la riqueza va a haber todavía más fuga de capitales de las que ya hay. Y hoy cualquier mexicano puede tener toda su riqueza en Estados Unidos, en fideicomisos que están completamente protegidos del "wealth tax" de Estados Unidos. Los taxes no van a funcionar si no funcionan en todo el mundo. O sea, tú hoy te vas a Estados Unidos y pagas cero impuestos de wealth tax, cero, si lo pones en un fideicomiso, si tienes un abogado que te ayude, un abogado no tan caro, tú llevas toda tu riqueza a Estados Unidos y no pagas un centavo de wealth tax."

³⁴² "Es uno de los principales problemas de nuestro país, que yo creo que la clase elite, déjame llamarle así la clase alta, los empresarios no tienen esa ni la clase política tiene esa conciencia, esos valores y esos principios, no los tenemos. Yo creo que no los tenemos. Estoy generalizando, pero por supuesto que hay quienes sí, pero cuando lo veo en su conjunto..."

³⁴³ "un castigo al éxito".

"In my opinion, that is not the way out. What the last 200 years of man's history tells you is that economic dynamism has to be tempered on its unfair side, but not killing economic dynamism, that has lifted 99% of human beings out of extreme poverty." (ITV #37)³⁴⁴

The one exception within the group of property-related taxes that has been mentioned by some is the *predial* (ITV #25, 34, 37, 41). This tax on real estate is accepted and is quite progressive (ITV #41), firstly because it does not distort the incentives to do business (ITV #34), and secondly because it would be easy to collect as real estate is difficult to move out of the country (ITV #25). In addition, there is still room for improvement in an international comparison (ITV #25, 29), and before talking about a complex wealth tax, the government should "start with the basics" (ITV #29)³⁴⁵.

Another aspect that was frequently mentioned as an alternative in connection with the question of wealth tax was philanthropy. The government's inability to deal sensibly with taxes makes private initiatives and investments necessary (ITV #34, 38, 41). I would like to present the following statement in its entirety because it summarizes well how actors frame the government, and its ability to collect and deal with taxes. According to the conviction of many, also in social matters, economic actors and companies should be at the forefront as they had proven in the past that they know much better how to handle their resources:

"One of the things I have seen is that many companies, in the process of generating wealth, create foundations to help causes in the community, in society, and that in many cases the help from these is much more effective than when the government helps. ...you can see how there are thousands of charitable institutions that operate with the generosity of people from society, companies and citizens, both donors and volunteers, with extraordinary results in effectiveness that when we compare the results of the government, many times in the bureaucracy, in the lack of focus, do not achieve results as well as those achieved when focused through these foundations or charitable institutions from society."
(ITV #26)³⁴⁶

This attitude was also expressed very clearly by another interviewee:

"I prefer that I spend the money myself, in creating jobs, in improving the social structure, in improving money, in hospitalization, in projects in which I will be more efficient than if

³⁴⁴ "En mi opinión, esa no es la salida. Lo que te dicen los últimos 200 años de la historia del hombre es que, es ese dinamismo económico que hay que atemperar en su lado injusto, pero no matar el dinamismo económico, lo que ha sacado al 99% de los seres humanos de la pobreza extrema."

³⁴⁵ "Empieza por los basics".

³⁴⁶ "Algo de lo que he visto es que muchas de las empresas, en ese proceso de generar riqueza, crean fundaciones para ayudar a causas de la comunidad, de la sociedad y que, en muchas ocasiones es mucho más efectiva la ayuda desde la sociedad que cuando lo hace el gobierno. ... puedes ver cómo hay miles de instituciones de beneficencia que funcionan con la generosidad de personas de la sociedad, empresas y ciudadanos, tanto donadores como voluntarios, con resultados extraordinarios en la efectividad que a la hora en que comparamos los resultados del gobierno, muchas veces en la burocracia, en la falta de focalización, no se logran resultados tan buenos como se logra cuando se focaliza a través de estas fundaciones o instituciones de beneficencia desde la sociedad."

my money goes and the State uses the money to enrich politicians, pay for electoral campaigns or projects as stupid as the ones the current president is doing." (ITV #33).³⁴⁷

5.1.6 Inheritance Tax: The Third Derivative

As the preceding presentation of the Mexican economic elite's narratives about economic inequality, the state, its role, taxes in general, and the wealth tax in particular shows, there is a neoliberal narrative overall. On some points, the actors agree to a high extent or even totally to neoliberal assumptions, which leads me to speak of a neoliberal RON in the sense of the Washington consensus as summarized by interviewee #34 on pages 283-284. As soon as it comes to wealth-related taxes, the camps split, and it comes thus as no surprise that this also occurs in regards to the inheritance tax. Although I make distinctions between pro, ambiguous, and contra with respect to the inheritance tax, this distinction is not as clear-cut as it is, for instance, in Germany. Even if the inheritance tax is seen as a possible or even important instrument to reduce wealth inequality, the narratives of this smaller group of actors must be understood in the context of their skepticism or even distrust of the government, embedded in the general anti-state ideology.

In this sense, the preceding analysis allows us to understand and classify the narratives about the inheritance tax in a comprehensive manner. The group of economic actors that oppose the inheritance tax is larger and more clearly positioned. But in this group too I found nuances; a final rejection sometimes has less to do with the rejection of the inheritance tax in concrete terms but rather with the framework of conditions set by the government and Mexico's specific historical conditions. It is interesting to note that the pro-inheritance tax camp primarily uses value-oriented narratives, while those with a rejectionist stance primarily recount macro-social and property preservation narratives. Sometimes, narratives on the same specific topic are also told differently and from different perspectives across the pro, ambiguous, and contra groups. In any case, one thing becomes immediately clear: There is more than just one RON on the inheritance tax among the Mexican economic elite.

Group Contra: unrealistic and uneconomical

In the group of those who are against an inheritance tax, there are almost always actors who put forward macrosocial narratives against the inheritance tax, mostly with reference to the economy. There is also a group that tends to use value-oriented narratives, while another group primarily emphasizes dissatisfaction with and distrust of the state. Narratives that focus on the framework conditions are particularly striking. Since the group of opponents of an inheritance tax is the

³⁴⁷ "Yo prefiero que el dinero lo gaste yo, en crear empleos, en mejorar la estructura social, en mejorar dinero, en hospitalización, en proyectos en los cuales voy a ser más eficiente que si mi dinero va y el dinero lo usa el Estado para enriquecer políticos, pagar campañas electorales o proyectos tan estúpidos como los que está haciendo el presidente actual."

largest and many narratives are very similar to almost identical, it makes sense to analyze the narratives in this group according to the categories of value-oriented, macrosocial, dissatisfaction/mistrust, envy/mistrust, and property preservation. Narratives find their way into this interview grid when they develop on their own from the interview by the actors, i.e., when they come up with the tax on their own or answer the open-ended question about what they think of the inheritance tax. I then introduced Beckert's four principles to the interviewees and asked about their positioning, and read a quote from Calles and Pani. How would they rate their narrative from 1925?

Pro within the contra camp

Even within the group of opponents of an inheritance tax, there are economic actors who are not absolutely against an inheritance tax but tell narratives about why it would be a potentially good tax. These pro-narratives are primarily values-based, while some are also based on macrosocial aspects. But overall, within the values-oriented narratives, those narratives that argue against an inheritance tax predominate (12 to 11).

The pro-narratives are fed by the attitude that the person who receives the inheritance has done nothing for the surplus of wealth (ITV #23). While talent is certainly equally distributed, the same distribution does not hold true for fortunes, of which some receive in excess while others receive little or nothing at all. Thus, life chances are unequally distributed (ITV #26). If one would manage to distribute the chances more equally, more justice in society could be established.

Another important aspect in favor of an inheritance tax is the possibility of a progressive tax structure. At the societal level, the inheritance tax could (in line with the performance principle at the individual level) contribute to tax revenue from those who have most. But, as several interviewees within this camp noted, the inheritance tax – if asked how an ideal inheritance tax should be implemented – should not be too high. Otherwise, the tax would not be paid: “The idea is good, but it has to be limited. That is to say, when taken to the extreme, this could result in someone not paying any tax at all” (ITV #26)³⁴⁸. This aspect, that of the framework conditions being so bad that the inheritance tax would not be a realistic option, is the most frequently mentioned narrative against the inheritance tax as a whole – and particularly pronounced in the camp of those who are against an inheritance tax anyway.

³⁴⁸ "La idea es buena, pero hay que acotarla. Es decir, cuando se lleva al extremo, esto te podría generar que alguien no pague nada de impuesto".

Table 5.2: RON of the Mexican economic elite – group Contra

<i>Mexican Economic Elite (12/20)</i> <i>2019-2023</i>	<i>Contra</i>	
	23, 26,27, 28, 29, 30, 31, 33, 35, 37, 39, 41	
<i>Value based</i>	12	16
Fairness, Justice	5	
Principle of Equality		1
„Oportunidades“	4	
Principle of merit	3	
Ownership Principle (Family)		
Framework conditions		15
<i>Macrosocial</i>	4	25
Means to an end	1	5
Democracy	1	
Inequality	2	2
Home ownership		2
Economic reference		13/15
- Jobs		2
Double taxation		1
socialism, communism		
<i>Dissatisfaction and suspicion</i>		24
Dissatisfaction		7
State budget		2
Philantropy		11
Corruption		3
(Privileges) Rich		2
(Privileges) Business assets		2
<i>Envy and resentment</i>		3
Principle of justice		
Envy		
State begrudged		3
<i>Property preservation</i>		23
Principle of equality		
Property principle		8
Types of income		1
Foreign dimension		14
TOTAL	16	91

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	15	25	15	25
Strong	12-14	19-24	11-14	19-24
Moderate	4-11	7-18	4-11	7-18
Weak	1-3	1-6	1-3	1-6

Note: Unlike the historical analysis, the scale of pro and con within the group is according to the strongest narrative within the group overall (not within pro, and con), as the interviewees' narratives can be both pro and con.

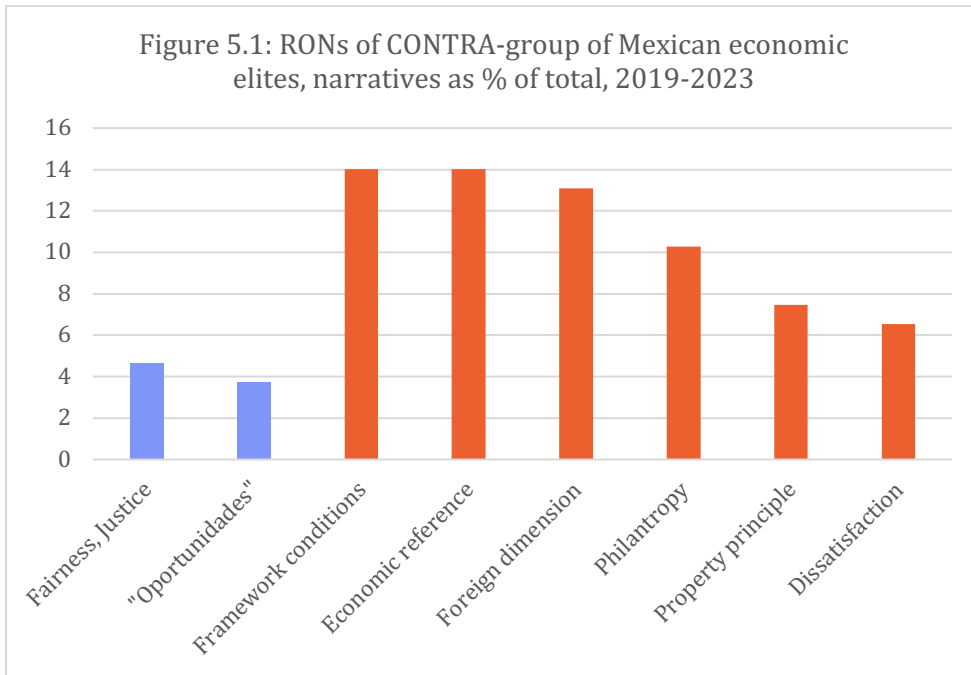
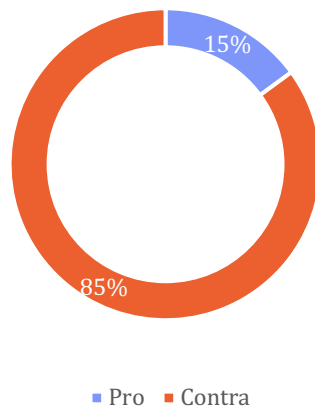


Figure 5.2: Share of pro and contra narratives (%) of Mexican economic elites, group CONTRA



Value-driven: framework

Most of the interviewees see the biggest hurdle of the inheritance tax in its implementation. The various narratives in detail are manifold, but the moral of the story is that implementation is difficult. The inheritance tax may be morally and theoretically a potential instrument. However, "[a]s a political instrument, as a policy instrument, it is very difficult to implement" (ITV #29)³⁴⁹. Mexico is generally a state that shows great weakness in imposing taxes (ITV #23); the inheritance tax would be no different (ITV #30).

Another narrative that is often told is that other taxes would be easier to raise than wealth-related taxes (ITV #25, 29, 33, 35, 36, 41). As presented in the part about taxes, taxes should be increased overall. "But when [the topic of revenues] is raised by politicians and they propose 50, 60 percent, people obviously react rationally and say they don't like it. And then they look for avoidance alternatives" (ITV #33)³⁵⁰. Small inheritance taxes would be tolerable, higher inheritance taxes would be unbearable, and people who would not want to pay these taxes would react rationally in their intent to avoid paying. One actor went so far as to say that an inheritance tax would push citizens to find ways to avoid paying the inheritance tax: An inheritance tax "obligates individuals and families to seek other shelters to avoid that tax" (ITV #41)³⁵¹.

Thereby there would be countless possibilities not to pay (wealth-related) taxes. Many possibilities are associated with the fact that capital is mobile and can be moved abroad in the simplest way, but also with the tax structuring possibilities that are allowed at the various tax levels and which family offices would find out for you (ITV #41). One interviewee gets very specific and gives an example of how simple it is nowadays to save taxes for the rich.

"There are a thousand ways to do it. I can assure you that because you do them during your lifetime. In other words, if I know that at the end of my life I have to give 60% of my assets to the State, what do you think I am going to do today? If today I had a surplus of my income. Well, today I am going to transfer part of my income to one of my relatives. I am not going to wait for an inheritance. How can I transfer it to [my child]? I hire [my child]. I give [it] a very large salary within the company. Why? Because if the tax [my child] is going to pay ... then if I have to give my [child] something, I give it to [it] where [my child] is going to have an income tax of 40%. Against 60 when [my child] inherits it. I'm not stupid. So that's why I'm telling you, it doesn't work. And you get ahead of all that. You make trusts overseas. You put some of your wealth offshore. As I tell you again, a lot of the income is not income. ... [N]o one has the money like Scrooge McDuck. So what do you do? You have it in stocks. You have it in things that are very, very, very easy to move. If I have my money today in stocks and you tell me that you are going to tax me later, ah, well, I sell

³⁴⁹ "[c]omo instrumento político, como instrumento de policy, súper difícil de implementar".

³⁵⁰ "Pero cuando llega a las manos de los políticos y proponen 50%, 60%, la gente obviamente reacciona racionalmente y dice que no les gusta. Y entonces buscan alternativas de evasión".

³⁵¹ "obliga a las personas y a las familias a buscar otros refugios para evitar ese impuesto".

my Mexican stocks and I buy [another country's] stock, which maybe does not have such a big inheritance tax and I already left my money there." (ITV #33)³⁵²

According to the interviewee, the state is simply too weak and cannot keep up with the tools and possibilities available to the rich. A counterexample of how it could work, however, was shown by the international community most recently when it imposed a 15 percent corporate tax on multinational firms (Council of the European Union 2022). This is an exemplary demonstration of how international tax policy can work; if these rules were applied everywhere, the incentives to move capital elsewhere would be reduced.

"Look at the decision that is being made in this international agreement to tax the big international companies. What are they doing? It seems sensible. They are putting a floor, and they say minimum they are going to have 15%. ... [T]hen your opportunity cost of moving money one way becomes so tiny, or your opportunity benefit from seeing the upside becomes so tiny that you don't make the decision." (ITV #33)³⁵³

However, in regard to wealth taxes this is currently not the case, and the state is failing on the expenditure side; a malfunction which must first be corrected first in order to achieve greater social justice and which perhaps the state as such does not necessarily have to be brought into play. Sharing – not redistribution in the sense of taxes – could also take place at the private level. But this would require a general awareness among the rich:

"So, the question is that there are those resources and they have to be used so that there is greater social justice, a better distribution of wealth. Is the government the best player to do that? We don't think so. The government would have to improve the way it operates the resources it has before giving it more resources. But if we have to sow in the conscience of the entrepreneurs, of the citizens this need to share and generate this wealth." (ITV #26)³⁵⁴

³⁵² "Hay mil maneras de hacerlo. Yo te lo puedo asegurar porque las haces en vida. O sea, si yo sé que al final de mi vida el 60% de mi patrimonio lo tengo que dárselo al Estado. ¿Qué crees que voy a hacer el día de hoy? Si hoy tuve un surplus de mis ingresos. Pues hoy mismo le voy a transferir a uno de mis familiares una parte de mi ingreso. Ya no me voy a esperar a una herencia. ¿Cómo se lo puedo transferir? Le contrato. Le doy un sueldo muy grande dentro de la empresa. ¿Por qué? Porque si el impuesto que ella va a pagar o [mi hijo] va a pagar, ..., entonces si a [mi hijo] le tengo que dar algo, se lo doy en donde [mi hijo] va a tener un income tax del 40%. Contra 60 cuando se lo herede. No soy tonto. No, claro. Entonces por eso te digo que no funciona. Y tú te adelantas a todo eso. Haces fideicomisos en el extranjero. Pones parte de tu patrimonio en el extranjero. Como vuelvo a decirte, mucho del ingreso no es ingreso. ... [N]adie tiene el dinero como Mac Pato. Entonces. ¿Qué haces? Lo tienes en acciones. Lo tienes en cosas que son muy, tan, muy fáciles de mover. Si yo tengo mi dinero hoy en acciones y me dices que me vas a grabar después, ah, bueno, pues vendo mis acciones mexicanas y me compro la acción de [otro país], que a lo mejor no tiene un impuesto a la herencia tan grande y ya dejé mi dinero allá."

³⁵³ "Fíjate, la decisión que se está tomando en este acuerdo internacional de gravar a las grandes compañías internacionales. ¿Qué están haciendo? Parece sensato. Están poniendo un piso y dicen mínimo van a tener 15%. ... [E]ntonces tu costo de oportunidad de mover el dinero de un lado se vuelve tan pequeñito, o tu beneficio de oportunidad por ver el lado positivo se vuelve tan pequeñito que no tomas la decisión."

³⁵⁴ "Entonces el cuestionamiento es que hay esos recursos y hay que utilizarlos para que haya una mayor justicia social, una mejor distribución de la riqueza. ¿Es el gobierno el mejor jugador para hacerlo? Nos parece que no. El gobierno tendría que mejorar su manera de operar los recursos que tiene antes de darle más recursos. Pero si tenemos que sembrar en la conciencia de los empresarios, de los ciudadanos esta necesidad de compartir y generar esta riqueza."

Macrosocial: uneconomical and inefficient

Within the macrosocial narratives, there are isolated ones that are positive toward the inheritance tax when it comes to the idea that the inheritance tax could serve to increase tax revenue (ITV #23). Only one interviewee from the contra-camp talked about the inheritance tax being useful to reduce inequality (ITV #27). I asked one interviewee, who is very knowledgeable about taxes, for his take on this approach and what he thought of the function that the inheritance tax could have beyond tax revenue in terms of reducing wealth inequality. His attitude on that point was clear: "I think it is not true. I think it is not an instrument that will reduce inequality" (ITV #23)³⁵⁵. This assessment is, of course, particularly exciting with regard to the topic of this dissertation.

Other actors share this narrative: The inheritance tax could not contribute to achieving greater equality or a more balanced development in society (ITV #35, 39, 41). "I think it's not a tool to decrease that gap. It's just not" (ITV #41)³⁵⁶.

When speaking of inheritance, rarely did someone talk of capital in the form of home ownership. To one interviewee, it seemed absurd that there are high inheritance taxes on real estate that would force the heir to sell the property: "You inherit your mother's house and it turns out that you have to sell it because you don't have the resources to pay the tax that comes with inheriting your mother's house ... It is totally absurd. Taxes have to be on the generation of wealth" (ITV #35)³⁵⁷. It was repeatedly emphasized that taxing wealth is bad per se. Taxing wealth, according to the actors, would be fundamentally uneconomical.

It is precisely this aspect, the harmful effect on the economy, that is by far the most frequently cited narrative against inheritance taxes. "My point is not that I am against the inheritance tax, my point is that I am in favor of the economic development of society ... it's a matter of economic efficiency" (ITV #39)³⁵⁸. In this context, another aspect is often added, concretizing why it would be harmful to the economy. Rarely, but sometimes mentioned, was double taxation. One interviewee stressed that it cannot be that there is tax after tax: If the system were designed that way, there would be no incentive to work at all (ITV #40). A few other interviewees were totally opposed to the inheritance tax: "No, negative. We don't like it" (ITV #40)³⁵⁹.

It is interesting to note that some economic actors talked about a maximum of 10 percent for the inheritance tax (ITV #32, 33, 35), but at the same time, the effect in terms of tax revenue would be so small that it would only be *un pedacito*, a little piece (ITV #30). Some actors would agree to

³⁵⁵ "Yo opino que no es cierto. Opino que no es un instrumento que logre reducir la desigualdad".

³⁵⁶ "Yo pienso que no es una herramienta para disminuir ese gap. No lo es".

³⁵⁷ "Uno hereda la casa de su mamá y resulta que la tiene que vender porque no tiene recursos para pagar el impuesto que le genera heredar esa casa de la mamá... Es totalmente absurdo. Los impuestos tienen que ser sobre la generación de la riqueza".

³⁵⁸ "Mi punto no es que esté en contra del impuesto a la herencia, mi punto es que estoy a favor del desarrollo económico de la sociedad ... es un tema de eficiencia económica".

³⁵⁹ "No, negativo. No nos gusta".

10 percent but amounts above that would harm the economy and create incentives to avoid the tax (ITV #33).

"If the inheritance tax were a lower tax, I think everyone would agree. Today we are going to tax it at 10% and a lower inheritance tax would be more effective, because when you set it too high the only thing you do is to discourage it. If you say 10%, well 10%, says a very large estate, 10% I can give away." (ITV #33)³⁶⁰

Many do not have the aspect of reducing wealth inequality in mind of their own accord. When asked about this function, they consider the possibility not only unrealistic, but secondary to the disadvantages that an inheritance tax could create:

"I tell you if I'm going to put an inheritance tax in place then it has the potential to make some things go beyond what I can control. And then I end up having a negative result, because I did not achieve what I wanted, which is to collect more taxes and maybe the opposite occurs, maybe I end up losing more taxes. So, that's why it is an issue that should be taken very lightly and that's why I think it's almost a third derivative, because there are many other things that will take you on the path you want – that those who have more pay more – with less negative consequences." (ITV #30)³⁶¹

Or as another actor puts it very clearly: "I think it's nonsense" (ITV #39)³⁶².

Dissatisfaction & distrust: absolute

Distrust of the government often goes hand in hand with narratives about the framework conditions and the state's inefficiency. Explicitly, and most frequently, the inability of the government to collect taxes sensibly is mentioned on the one hand; on the other hand, the elite knows exactly how to avoid taxes in legal ways.

The state, overall, has a weakness in collecting taxes – at a time when capital can be anywhere in the world, so that, as often mentioned (and yet I repeat myself to show how often this narrative is used), it is not efficient to tax capital (ITV #23).

"Every new tax on wealth, on inheritances, etcetera is taking away the productive part to go to subsidize corruption and inefficiency in government ... before thinking about

³⁶⁰ "Si el impuesto a la herencia fuera un impuesto más bajo, yo creo que todo mundo estaría de acuerdo. Hoy vamos a grabarle el 10% y sería más efectivo un impuesto menor a la herencia, porque cuando tú lo pones muy alto lo único que haces es desincentivar. Si tú dices el 10%, bueno el 10% dice un patrimonio grandísimo, el 10% lo regalo."

³⁶¹ "Entonces yo te digo si yo voy a poner un impuesto a la herencia pues tiene el potencial de que haga que algunas cosas se vayan más allá de lo que yo puedo controlar. Y entonces acabo teniendo un resultado negativo, porque no logré lo que quería, que es recaudar más impuestos y quizás lo contrario, quizás acabe perdiendo más impuestos. Entonces, por eso sí es un tema que hay que tenerlo muy a la ligera y por eso sí creo que es casi que una tercera derivada, porque hay muchas otras cosas que sí te van a llevar en el camino que quieres - de que los que tienen más paguen más - con menos consecuencias negativas."

³⁶² "Creo que es una tontería".

generating more revenue, governments have to reorganize, remove their forms of inefficiency, their forms of corruption, become more efficient." (ITV #39)³⁶³

As is the case with taxes in general, one of the biggest challenges is understood to be a great deal of mistrust on the expenditure side. Mainly for these reasons, there is no belief that an inheritance tax would actually change the unfortunate situation of extreme inequality. As the elite denies the state's competence on both revenue and expenditure sides, economic actors themselves are in demand:

"[T]he government has not demonstrated a good use of resources to help the population. ...The CONEVAL³⁶⁴ report tells us that poverty is going up instead of going down. So, it is not being effective. Giving more resources to the government does not mean that it is a better way to distribute wealth. That is why we trust more in the conscience of the companies, of the businessmen, to make foundations, to make donations that are much more effective." (ITV #26)³⁶⁵

Comparisons to other countries come up quite often, either to stress that Mexico cannot be compared to countries like Japan, Spain, or France (ITV #41), or because even in countries where there is an inheritance tax, the tax helps little or not at all. Even in states like France or the US, where governments are better able to collect and to spend their revenues, inheritance taxes had little effects (ITV #29, 33). This is mainly due to the elites: They would know exactly how to avoid taxes:

"States that have an inheritance tax. A high one. It doesn't collect anything, does it? Why? Because the elites can do financial engineering to be bequeathed during their lifetime, to put in trusts, to take money out of pensions. ... I think it is an instrument that is not efficient, that is not effective, that is not going to achieve its purpose." (ITV #29)³⁶⁶

On this point, almost all interviewees agree – even those who are ambiguous or in favor of an inheritance tax. The ability and will of elites to avoid taxes exceeds the competence of governments in a globally interconnected world, where capital can always find its way to escape a tax schedule. And if other states do not know how to implement and carry an inheritance tax in an effective manner, Mexico would certainly not accomplish that task:

³⁶³ "Cada impuesto nuevo a la riqueza, a las herencias, etcétera es quitarle la parte productiva para ir a subsidiar corrupción y la ineficiencia en el gobierno ... antes de pensar en generar más ingresos, los gobiernos tienen que reorganizarse, quitar sus formas de ineficiencia, sus formas de corrupción, volverse más eficientes".

³⁶⁴ CONEVAL is the abbreviation for *Consejo Nacional de Evaluación de la Política de Desarrollo Social*, it is the National Council for Evaluation of Social Development Policy.

³⁶⁵ "[E]l gobierno no ha demostrado un buen uso de los recursos para ayudar a la población. ...El reporte de Coneval nos dice que la pobreza en lugar de bajar, sube. No está siendo eficaz. Entonces, darle más recursos al gobierno, no quiere decir que sea una mejor manera de distribuir la riqueza. Por eso confiamos más en la conciencia de las empresas, de los empresarios, para hacer fundaciones, para hacer donativos que sean mucho más eficaces."

³⁶⁶ "En Estados que tienen un impuesto a las herencias. Mucho. No recauda nada, ¿no? ¿Por qué? Porque las élites pueden hacer ingeniería financiera para ser legados en vida, para meter fideicomisos, para sacar el dinero de pensiones. ... Creo que es un instrumento que no es eficiente, que no es efectivo, que no va a lograr su propósito."

"We can put as many concepts on it as you want, you can make it as complicated as you want, but if you can't handle the simpler stuff, it's even harder to think you can handle the more complicated issues. And it's not certain that there's no way to turn it around and it's not certain that it won't generate other distortions. Because when you want to turn it around, people will also alter their behavior and maybe you will generate more problems than the ones you are going to solve. ... imposing a tax is a distortion. If there is no tax, there is no distortion. And that distortion generates a change in your behavior. So, I think that at this moment talking about an inheritance tax, in a country like Mexico, is not the right way to reach the objective." (ITV #30)³⁶⁷

Property preservation: capital should not be taxed – otherwise it just leaves the country

Looking at the interview grid with the different narratives, it is quite clear with regard to the property-preserving narratives that these are almost exclusively raised by those who are against an inheritance tax. Property and substance, in particular, are most frequently cited as assets that should not be diminished by a tax. In this sense, it is then clearly stated: "it is bad to tax wealth" (ITV #23)³⁶⁸. Furthermore, the narrative that foreign countries offer capital the opportunity to "flee" and be preserved in this way is particularly striking: "If I say hey, I'm going to put an inheritance tax, then you say simply no, then I simply go to Panama and bring it there" (ITV #41)³⁶⁹. Either the capital will flee the country, or the companies will (ITV #39). However, it is also clear that international experts or organizations calling for an inheritance tax would simply not have understood Mexico's tax policy (ITV #30, 41).

"I think we have to do something 'tailor made,' according to our idiosyncrasies. And here I feel that such a tax would not work. It would cause a flight of capital, a flight of wealth and that's the last thing we need." (ITV #41)³⁷⁰

One actor listed the various problems he explicitly identifies with the inheritance tax, one after the other; during the analysis, it became clear to me that the actor was primarily (though not exclusively) using property-preserving narratives:

"If you say to any person, look, I am going to tax the richest, I am going to take part of their inheritance, how am I going to say yes? The first problem is – that is why I say it is a very

³⁶⁷ "[P]odemos ponerle todos los conceptos que quieras, lo puede hacer tanto complicado como quieras, pero si no puedes con lo más sencillo, todavía es más difícil pensar que vas a poder con lo más complicado. Y no es seguro que no haya forma de darle la vuelta y no es seguro que no te genere otras distorsiones. Porque al querer darle la vuelta, la gente, va también a alterar su comportamiento y quizás vas a generar más problemas que los que vas a resolver. ... el poner un impuesto es una distorsión. Si no hay un impuesto, no existe esa distorsión. Y esa distorsión genera un cambio en tu comportamiento. Entonces. Yo creo que en este momento hablar de un impuesto a la herencia, en un país como México, no es la forma adecuada de llegar al objetivo."

³⁶⁸ "está mal que grabes la riqueza".

³⁶⁹ "Si digo oye, voy a poner un impuesto a la herencia y entonces tú dices no, mejor me voy a Panamá y lo voy a poner allá" (ITV #30).

³⁷⁰ "Creo que tenemos que hacer algo 'taylor made', de acuerdo con nuestra idiosincrasia. Y aquí siento que ese impuesto no funcionaría. Provocaría una fuga de capitales, una fuga de patrimonios y es lo que menos necesitamos."

difficult dilemma – if your consequence is 'ah, if that is what you are going to do to me right now, maybe I will translate all my patrimony and go to another country where there is not such a serious tax' – first problem.

Second problem: It is more effective to tax the flow than the stock. How do you tax the flow? You tax the flow when you increase the income tax to 42%. To 50%. Don't tax the stock. Tax the flow.

And the third argument I gave you in the stock measurement: there are many things that are not monetized. How are you going to tax me? If I have a Picasso painting in my house, how do you record that? How do you give it value when I gave it to you? If you were my daughter and I gave it to you, how do you record me? I can say the painting costs \$100. Or it's worth 1 million pesos. Or who is going to come and put a value on that situation? And since I'm talking to you about paintings, I'm talking about an impressive amount of assets that makes it very difficult to make a proper taxation on that stock." (ITV #33)³⁷¹

Beckert: no clear preferences

At the end of each interview, I asked the actors about the four principles that Jens Beckert (2008) elaborated. The interviewees were presented with the four principles in summary form and were then asked whether they would most likely agree with one or a combination of principles, or whether they could name another principle. In this way, I was able to proactively name aspects and possible perspectives on the inheritance tax and go into more detail with the actors in the interview. In addition, the research interest was to find out whether, according to Beckert's research findings, there was a clear tendency pro or contra one of the four principles among Mexico's economic elite (see table 3.3 on page 66).

Hardly anyone in the group of opponents of the inheritance tax explicitly named a principle with which they could identify. Only two named the principle of justice as the sole favorite; of the remaining actors, half were in favor of a combination (with the principle of justice being included most frequently), while the other half clearly stated that they did not agree with any of the principles. Overall, then, the naming of the principle of justice was moderate, followed in second place (but weak) by the principle of equality of opportunities, the other principles were rarely mentioned, and counter-narratives were cited almost as often as advocacy for the other principles.

It is interesting to observe that especially those who also mentioned positive narratives for the inheritance tax during the interview were able to gain something from these principles (ITV #26,

³⁷¹ "Si tú le dices a cualquier persona fíjate que voy a grabar a los más ricos, voy a quitar parte de su herencia, ¿cómo te voy a decir que sí? El problema primero es - por eso te digo que es un dilema muy difícil - si tú consecuencia es 'ah, si eso me vas a hacer a mí ahorita, pues a lo mejor traduzco todo mi patrimonio y me voy a otro país donde no haya un impuesto tan grave' - primer problema. Segundo problema: Es más efectivo grabar el flujo que el stock. ¿Cómo grabas el flujo? El flujo lo grabas cuando tú le aumentas el impuesto sobre la renta a un 42%. A un 50%. No grabes el stock. Graba el flujo. Y tercer argumento que te daba en la medición del stock: hay muchas cosas que no se monetizan. ¿Cómo me vas a grabar a mí? El que yo tenga un cuadro de Picasso en mi casa. ¿Cómo me grabas eso? ¿Cómo le das valor cuando yo te lo di? Si tú fueras mi hija y yo te lo regalara. ¿Cómo me grabas? Yo puedo decir que el cuadro cuesta \$100. O vale 1 millón de pesos. ¿O quién va a venir a ponerle el valor a esa situación? Y como te hablo de cuadros, te hablo de una cantidad de bienes impresionantes que hace muy difícil el hacer adecuado el gravamen de ese stock."

27, 35). At this point, one actor may serve as an example of how the two most frequently mentioned principles relate to each other:

"A combination of these two [principle of equal opportunity and principle of justice]. First, because I am convinced that talent is equally distributed. What is not equally distributed are the opportunities. To the extent that we achieve opportunities for all, there will be a fairer development. And there are very clear cases of people who come from a condition of family poverty, but who through scholarships, for example, manage to study ... And in the part, let's say, as a general principle, well, whoever has more should pay more, and that helps us to balance. It seems to me that it is fairer." (ITV #26)³⁷²

Also interesting was the statement of an actor who was very aware of his good fortune with regard to his family background but was in favor of the family principle according to Hegel in combination with the principle of equal opportunity (ITV #35). This is because, according to the actor, it is important to ensure and continue the accumulation of wealth over generations. Accordingly, he is rather against an inheritance tax. In conversation, I very briefly and succinctly reported on the German inheritance tax and the possibility of deferring taxes on business assets and receiving tax exemptions if jobs were retained. This idea appealed to the actor:

"That kind of taxation [as in Germany], I don't see it as wrong at all. Not bad at all, because it is precisely what we have to achieve, to maintain the integrity of generating wealth. So, again, if they tell me 'no, you have to give this one, I already give 35% of what I generate. Now you have to give a percentage of what you inherit'. I prefer to contribute to society, creating another company, creating more jobs, more opportunities for the community and then we can all grow together. ... Again: black or white? I do not agree, do I? Hey, there may be mechanisms to achieve, especially to increase the opportunities for the most vulnerable sector of society. Of course, it has to be done. I have no problem with that, as long as it is focused on greater development and creation of opportunities. That tax in Germany that you are telling me about seems to me very interesting, very creative." (ITV #35)³⁷³

On the other hand, those who named only negative narratives were also mostly fundamentally opposed to any principles according to Beckert. An actor belonging to this group named in detail

³⁷² "Una combinación de estos dos [principio de igualdad de oportunidades y principio de justicia]. Primero, porque estoy convencido de que el talento está igualmente distribuido. Lo que no está igualmente seguro son las oportunidades. En la medida en que logremos que haya oportunidades para todos, habrá un desarrollo más justo. Y hay casos muy claros de personas que vienen de una condición de pobreza familiar, pero que, a partir de becas, por ejemplo, logran estudiar ...Y en la parte, digamos, como principio general, pues quien más tiene debe pagar más, y eso nos ayuda a equilibrar. Me parece que es más justo."

³⁷³ "Ese tipo de impuestos [como en Alemania], yo no lo veo nada mal. Nada mal, porque justamente lo que hay que lograr, mantener la integridad de ese generador de riqueza. Entonces, otra vez, si a mí me dicen 'no, es que tienes que dar este, ya doy el 35% de lo que género. Ahora tienes que dar un porcentaje de lo que heredas'. Yo prefiero aportar a la sociedad, creando otra empresa, creando más empleos, más oportunidad para la comunidad y que entonces todos vayamos creciendo juntos. ... Otra vez: ¿blanco o negro? Yo no coincido, ¿no? Oye, puede haber mecanismos para lograr, sobre todo incrementar las oportunidades para ese sector de la sociedad más vulnerable. Por supuesto, hay que hacerlo. Yo no tengo ningún problema en eso, siempre y cuando esté enfocado a mayor desarrollo y creación de oportunidades. Ese impuesto en Alemania que me comentas me parece muy interesante, muy creativo."

what he thought of the respective principles: He rejected two of them on principle (family and society principle), two he thought were fine (equal opportunity and justice principle), but he just did not believe in these narratives.

"[First] I reject the premise [of the family principle], because wealth is a social construct. They are receipts where society says it is going to give you something. How can you understand it as something that belongs to the family and that society cannot get involved in when it is a claim on society? So here to say it is a family claim is like something written in 1821 that thinks of wealth as gold bullion kept in the house.

[Second] So what happens is that here is the premise that equality of opportunities is achieved with taxes on wealth. I don't think it doesn't, I think it tries to, but it doesn't. So I say this; I think Warren Buffet is right. So this is what I say; I think Warren Buffet is right, that taxes in the United States, maybe inheritance taxes can be a little more effective than in Mexico. Very ineffective. I know the fiscal engineering that is done in the United States. I know how the rich protect their assets from the 'taxman' and I think it is very ineffective.

[Third] Carnegie: Some people share this philosophy, but it is not a guiding principle to the general rules of society. Because some people will think this way, if very few people think this way, the destiny of wealth will end up being for the 'spoiled' children who are of no use. So, I'm not very convinced. I think it is something very marginal, as a philosophy, as a principle.

[Fourth] Max Weber. In principle at best I like him better. 'High inheritance taxes should serve to correct the results of free markets.' Well, I would say high inheritance taxes, I would like them to serve to correct the results of free markets, in the sense that some strong men will have to put more weight on them. Well again these two I like as an aspiration, but I think they are ineffective as extremes." (ITV #29)³⁷⁴

Calles & Pani

Finally, I asked the interviewees if they knew that Mexico once levied inheritance taxes. Most actors were surprised. I read them the statement by President Plutarco Elías Calles and Minister of

³⁷⁴ "[Primer] Rechazo la premisa [del principio familiar], pues la riqueza es un constructo social. Son recibos donde dice la sociedad te va a dar algo. Son 'claims' sobre la sociedad. ¿Cómo lo puedes entender como algo que es de la familia y que la sociedad no se puede meter cuando es un claim sobre la sociedad? ... Entonces aquí decir es del ámbito familiar es como una cosa escrita en 1821 que piensa en la riqueza como lingotes de oro guardado en la casa. [Segundo] Entonces lo que pasa es que aquí está la premisa que se logra la igualdad de oportunidades con los impuestos a la riqueza. Yo creo que no lo logra, yo creo que lo intenta, pero no lo logra. Entonces esto digo yo; creo que Warren Buffet tiene razón, que los impuestos en Estados Unidos, a lo mejor los impuestos a la herencia pueden ser un poco más efectivos que en México. Muy poco efectivos. Conozco yo la ingeniería fiscal que se hace en Estados Unidos. Sé cómo los ricos protegen sus bienes del 'taxman' y creo que es muy poco efectivo. [Tercero] Carnegie: Algunas gentes comparten esta filosofía, pero no es un principio rector a las reglas generales de la sociedad. Porque algunos pensarán así, si muy pocos piensan así, el destino de la riqueza terminará siendo para los hijos 'spoiled' que no sirven de nada. Entonces como que no me convence mucho. Creo que es algo muy marginal, como filosofía, como principio. [Cuarto] Max Weber. En principio a lo mejor me gusta más. 'Los altos impuestos a la herencia deberán servir para corregir los resultados de los mercados libres.' Pues yo diría los altos impuestos a la herencia, me gustaría que sirvieran para corregir los resultados de los mercados libres, en el sentido de que unos hombres fuertes deberán poner más peso sobre ellos. Pues de nuevo estos dos me gustan como aspiración, pero creo que son poco efectivos como extremos."

Finance Alberto J. Pani in 1925, in which they justified the introduction of an inheritance tax and briefly described how it should be designed. The question was what the actors thought of this narrative.

As different as the narratives of the economic elite on the inheritance tax as a whole were, so too were their positions on the narrative of Calles and Pani. Very few of the contra group were in favor; if they were in favor, it was on condition that the inheritance tax should be low:

"The idea is good, but it has to be limited. That is to say, when it is taken to the extreme, this could generate that someone does not pay any tax at all. ... So, as a general idea, it seems good to me, but if that is taken to the extreme, I think it would be detrimental."

(ITV #26)³⁷⁵

Most of the actors, however, were explicitly against it. The inheritance tax had not worked at that time and was therefore abolished (ITV #40); or it was pointed out that according to their position on wealth taxes in general they were also against the idea of Calles and Pani (ITV #39). Often the historical context itself is used to argue against the inheritance tax; the ideas are said to be out of time, coming from the beginning of the 20th century, "when the world economy was not so deeply intertwined" and at a time when tax avoidance was not yet an easy game (ITV #37)³⁷⁶. One actor was very detailed in his reasoning:

"In the Mexico of those 40 years, that was the trend, that was the wave, that was the tsunami, taxing those at the top of the pyramid to theoretically distribute to those at the bottom of the pyramid. And then came a new trend in the sixties with other governments, starting with the Alemán government and then continued by López Mateos, where there was the famous stabilizing development. This stabilizing development was headed by the Secretary of Finance, Ortiz Mena, and what Ortiz Mena did precisely was to promote investment, reduce taxes and promote national direct investment. Foreign investment began to come again and that was when Mexico experienced a very important boom, which led to a leap in income in general as a country and a leap in individual income as well. So with that I try to answer the question, man and his circumstances. The circumstances of Mexico in those 40 years were different and there was a very strong tendency that from my point of view did not benefit the country, as they realized that it did not work, then the public finance policy changed and a very positive period came for Mexico that was broken with the government of Echeverría in 1970, where it changed again towards a tendency towards the forced distribution of income and wealth." (ITV #41)³⁷⁷

³⁷⁵ "La idea es buena, pero hay que acotarla. Es decir, cuando se lleva al extremo, esto te podría generar que alguien no pague nada de impuesto. ... Entonces, como idea general, me parece buena, pero si eso se lleva al extremo, creo que sería perjudicial."

³⁷⁶ "cuando no estaba tan profundamente interrelacionada la economía mundial".

³⁷⁷ "En el México de esos 40 años, esa era la tendencia, esa era la ola, ese era el tsunami, el gravar a los de la punta de la pirámide para en teoría repartir a los de la base de la pirámide. Y después vino en los sesentas una nueva tendencia con otros gobiernos, empieza con el gobierno Alemán y luego lo continúa López Mateos, donde hubo el famoso desarrollo estabilizador. Ese desarrollo estabilizador que lo encabeza el secretario de Hacienda, Ortiz Mena, y que Ortiz Mena lo

Group Ambiguous: Distrust is immense

In the group of interviewees, some actors simply cannot be assigned to the proponents or opponents of the inheritance tax. In this context, my classification as ambiguous may be due to the fact that they point towards too many conditions that are simply not met to be in favor of the inheritance tax. Or they recognize contradictions in principles that are important to them: for example, the family principle on the one hand, the importance of equal opportunity on the other, within a state they do not trust. Overall, I make this assessment for four out of 20 interviewees (ITV #24, 28, 31, 32).

Among the value-oriented narratives, pro and contra narratives almost balance each other out (while the positive ones predominate among the supporters, the negative ones are mentioned more among the contra camp). In the case of the macrosocial narratives, the group is very similar to that of the proponents, but dissatisfaction and distrust are more pronounced, and property-preserving narratives also found their way into our interviews more frequently.

In terms of the value-oriented narratives, the inheritance tax is seen as a possible instrument above all from the perspective of *oportunidades* and justice. However, as positively as the inheritance tax is framed, the framework conditions are seen negatively. For example, one interviewee said that the inheritance tax could be good if it were well regulated and if it were well implemented: If there were not already equal opportunities to begin with, it would only be fair if the inheritance tax helped it grow (ITV #24). However, as with taxes in general, there would be just these many "ifs" (ITV #24).

In contrast, two interviewees (ITV #28, 32) explicitly emphasize the family understanding of wealth and are accordingly in line with the family principle by Hegel. Wealth should not be understood as an individual asset, but as a family concept. From this conviction, one interviewee deduced that an inheritance tax would be a double taxation. After all, a tax has already been paid within the association to which the assets belong (ITV #28). Added to this is his distrust of the state, which makes him oppose the inheritance tax. But on the other hand, he conceded, the inheritance tax would provide a good opportunity to impose a wealth tax. An inheritance tax, said interviewee #28, could be progressive in design, as Calles and Pani designed it back then, but it all would depend on the amount: Small inheritances on which family members would live should be exempt; only large estates should be taxed (ITV #28).

que hace precisamente es fomentar la inversión, reducir los impuestos y fomentar la inversión directa nacional. Empieza de nueva cuenta a venir la inversión extranjera y fue cuando México tiene un boom importantísimo, que viene un salto del ingreso en general como país y viene un salto también en el ingreso individual. Entonces con eso trato de responder la pregunta, el hombre y sus circunstancias. Las circunstancias de México en esos 40 años eran diferentes y había una tendencia muy fuerte que desde mi punto de vista no benefició al país, como se dieron cuenta que no funcionaba, entonces cambia la política de finanzas públicas y viene una época muy positiva para México que se rompe con el gobierno de Echeverría en el 70, donde cambia de nueva cuenta hacia una tendencia hacia el reparto forzado del ingreso y la riqueza."

Table 5.3: RON of the Mexican economic elite – group Ambiguous

<i>Mexican Economic Elite (4/20)</i> 2019-2023	<i>Ambiguous</i>	
	24, 28, 31, 32	
<i>Value based</i>	7	6
Fairness, Justice	2	
Principle of Equality	1	
„Oportunidades“	3	
Principle of merit	1	
Ownership Principle (Family)		3
Framework conditions		3
<i>Macrosocial</i>	1	3
Means to an end	1	
Democracy		
Inequality		1
Home ownership		1
Economic reference		
- Jobs		
Double taxation		1
socialism, communism		
<i>Dissatisfaction and suspicion</i>		6
Dissatisfaction		3
State budget		2
Philanthropy		
Corruption		
(Privileges) Rich		1
(Privileges) Business assets		
<i>Envy and resentment</i>		
Principle of justice		
Envy		
State begrudged		
<i>Property preservation</i>		3
Principle of equality		
Property principle		1
Types of income		
Foreign dimension		2
TOTAL	8	18

	<i>Pro (i|cat)</i>		<i>Contra (i|cat)</i>	
Strongest	3	7	3	7
Strong		6		6
Moderate	2	2-5	2	2-5
Weak	1	1	1	1

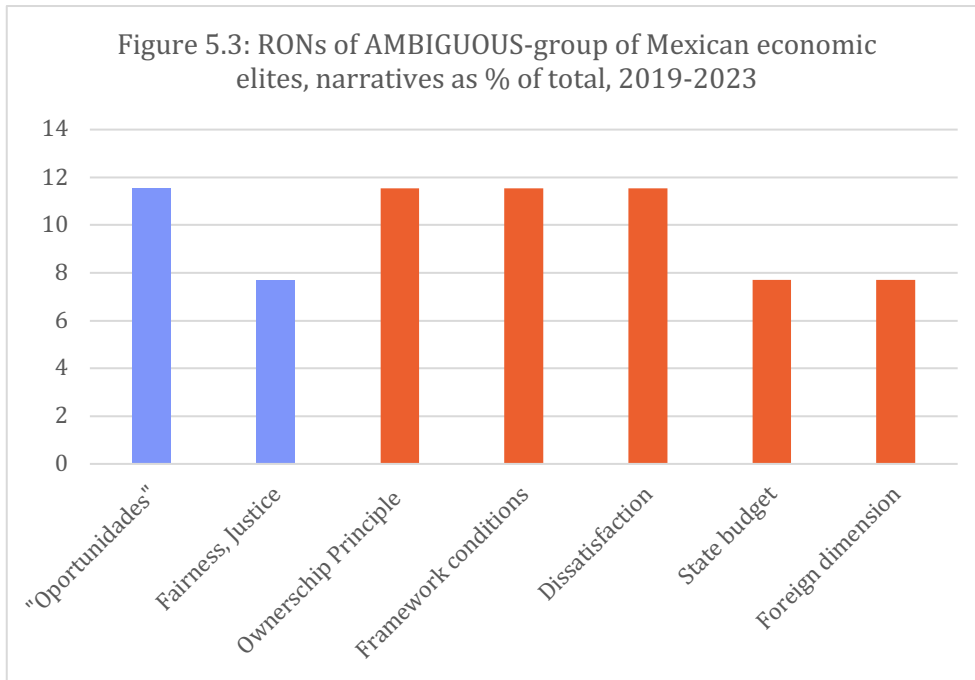
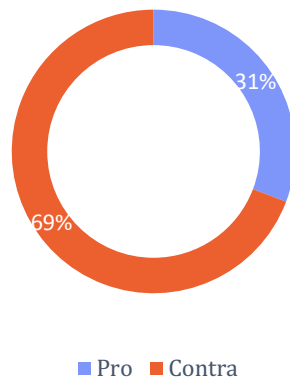


Figure 5.4: Share of pro and contra narratives (%) of Mexican economic elites, group AMBIGUOUS



Poor framework conditions, as well as distrust of the state and its ability to levy taxes on wealth are high. The inheritance tax is therefore generally not understood as an effective means of reducing wealth inequality:

"The forms of wealth change over time and often become more intangible. Even if certain things that are very tangible, very evident, are recorded, the others are not recorded, so concentration follows another path. So, taxing inheritances as a way for the State to have more money, yes, definitely more money will come to the State. But whether that will correct inequalities – I don't know. ... I'm skeptical that that tax will help prevent the concentration of capital. That's my point of view. Yes. Well, and more so in a country like Mexico." (ITV #31)³⁷⁸

In addition, not only is the state failing or weak, but the rich know how to behave accordingly in order to preserve their wealth. In today's world, capital is very powerful, and the rich know the ways and means to avoid paying unpopular taxes – legally. If the possibilities do not exist in this country, ways will be found abroad.

"Many of my friends, very rich people, began to take money to the United States or began to set up trusts to put part of their wealth there. So the full ownership was not transferred, but only the rights of the trust... the financial markets or international transactions are no longer just the country, but the whole international part. I have friends, for example, who have Spanish or French friends, whose parents came to Mexico, who made great fortunes and who, for example, have part of their wealth in France or in Spain or in other countries. And how they play with taxes and know perfectly well up to what limit to go. And then they move on to another side. In other words, the capacity of their large capitals to have information, to have very, very capable advisors is very strong. So, it is difficult to catch them, they escape somewhere." (ITV #31)³⁷⁹

In the interviews with the actors of the ambiguous group, the contradictions between different principles of justice on the one hand and the understanding of wealth and the role of the family on the other hand became strongly apparent. Relating these contradictions of narratives to one another was difficult. One interviewee noticed this contradiction right at the beginning (ITV #32).

³⁷⁸ "[L]as formas de riqueza van cambiando con el paso del tiempo y se vuelven muchas veces más intangibles. Aunque se graben ciertas cosas que son muy tangibles, muy evidentes, las otras no se graban, entonces la concentración sigue por otro camino. Entonces, gravar las herencias como forma de que el Estado tenga más dinero, sí, definitivamente le va a llegar más dinero. Pero que eso corrija las desigualdades - no lo sé. ... soy escéptico de que ese impuesto ayude a evitar la concentración del capital. Ese es mi punto de vista. Sí. Bueno, y más en un país como México."

³⁷⁹ "[M]uchos amigos míos, gente muy rica, empezaron a sacar dinero a Estados Unidos o empezaron a hacer fideicomisos para poner ahí parte de la riqueza. Entonces que no se transmitiera la propiedad plena, sino nada más los derechos del fideicomiso... los mercados financieros o las transacciones internacionales ya no nada más es el país, sino toda la parte internacional. Yo tengo amigos, por ejemplo, que tienen amigos españoles o franceses, que vinieron sus padres a México, que hicieron grandes fortunas y que, por ejemplo, tienen parte de su riqueza en Francia o en España o en otros países. Y cómo juegan con los impuestos y saben perfectamente bien hasta qué límite llegar. Y ya después pasan a otro lado. O sea, la capacidad de sus grandes capitales de tener información, de tener asesores muy, muy capaces, hídole, es muy fuerte. Entonces como que es difícil cogerlo, se escapan por algún lado."

Our conversation, as usual, turned at the outset on taxes in general and about possible main tools to reduce inequality. Above all, this actor was particularly concerned about one aspect: equality of opportunity. Throughout our entire interview – whether we spoke of the role of the state, taxes in general, or how tax revenues should be spent – the interviewee referred to equality of opportunity. When he encountered a contradiction with his most important principle when asked about the inheritance tax, which he opposed in the very first moment, he all of a sudden expressed in the most possible direct way: "I am troubled" (ITV #32):

"That's interesting. I am troubled. Let me use that word. Because on the one hand I say, well, if I worked something all my life to leave my children a heritage and more possibilities, more peace of mind going forward, I should be able to do that, because that's what I worked a good part of my life for. Having said that, I say, yes, but then my children – and I am personalizing it, but what I want to say in general – start with a position of privilege and advantage versus the rest. And I'm talking about equal opportunity. So, I'm troubled. The truth is that I do struggle and I don't know how to ... I don't know how to solve that one." (ITV #32)³⁸⁰

Thinking out loud, he shared his thoughts that this contradiction might be solved on a personal level. One could leave one part for his children and another, big part should be used to support others by the creation of foundations, internships, or somehow different ways to create equality of opportunity. This personal way of dealing with the dilemma seemed to be a possible solution for the interviewee. In this context, he shared an anecdote of a Brazilian businessman he recently met who told him about his decision to donate his assets. This Brazilian businessman had decided that he would donate his money explicitly to universities so that children who normally could not afford to do so could attend good universities. Taxes, though, would mean that he would not know what was happening with his money. This way of dealing seemed to the interviewee #32 "extraordinary, I think it's very good" (ITV #32)³⁸¹.

But as he acknowledged earlier in the interview, many actors in the economic elite would lack a solidary, social nature, and in this sense he stated: "I don't know. ... Seriously, I don't know how to solve that" issue (ITV #32)³⁸². The dilemma remains – especially in Mexico and with the degree of economic incompetence that the interviewee recognizes in the Mexican government. While an inheritance tax would establish more equal opportunity, "in a context in which you say, what is going to happen is that of all that we worked for [politicians] are going to keep X and the rest is going

³⁸⁰ "Ese es interesante. I am troubled. Déjame utilizar esa palabra. Porque por un lado digo, bueno, si yo trabajé algo toda mi vida para dejarle un patrimonio a mis hijos y más posibilidades, más tranquilidad yendo para adelante, I should be able to do that, porque para eso trabajé en buena parte toda mi vida. Habiendo dicho eso, digo, sí, pero entonces mis hijos - y lo estoy personalizando, pero lo que yo quiero decir en general - empiezan con una posición de privilegio y de ventaja versus el resto. Y yo estoy hablando de igualdad de oportunidades. Entonces, I'm troubled. La verdad es que sí me cuesta trabajo y no sé cómo... No sé cómo resolver ese."

³⁸¹ "extraordinario, me parece muy bien."

³⁸² "[n]o lo sé. ... De veras, no sé cómo resolverlo".

to go to pay Pemex, CFE [*Comisión Federal de Electricidad*]?" (ITV #32)³⁸³. This would not be in his interest. Asked about Calles and Pani, the interviewee said that their narrative seems sound: Let those who possess more pay more. "As a principle, I think it is adequate, yet again I struggle, but for what? As to generate equal opportunities – yes; to build Mayan trains or refineries ..." (ITV #32)³⁸⁴ – no.

At the end of our interview, we continued talking a bit and the interviewee started to ask me about the situation in Germany and my opinion. Since we had already discussed the points that were to be dealt with in the semi-structured interview, I was able to conduct this exchange. As different as our positions were, we agreed on two points at the end of the conversation:

ITV #32: "Inequality has always existed and always will. I believe.

Linartas: "Yes, I am neither a socialist nor a communist. I don't want a society without inequality. But what I don't want either is a society of heirs."

ITV #32: "Agreed. And a society without lack of opportunities. ... Those two elements, 100% agree. Yes, 100%."³⁸⁵

Group Pro: And it will come

A fairly small group of actors was in favor of the inheritance tax as a policy instrument. However, this group does exist: five out of 20 of my interviewees are in the pro-camp. The narratives of these actors are primarily value-based, but also include other aspects and are sometimes critical of the inheritance tax when it comes to its macro-social consequences, especially regarding the economy. As in the case of the other topics, not one narrative alone was told; our conversations opened up the possibility of weighing the advantages and disadvantages of an inheritance tax from their point of view, and their ideas about how to design such a tax turned out to be quite different.

Value-oriented narratives make up the majority of the narratives of the group in favor of an inheritance tax (ratio 3:1 of pro to contra). Negative narratives predominate among the macrosocial narratives; furthermore, some narratives focus on dissatisfaction with and distrust of the state. Because the group of those in favor of an inheritance tax is so small, it makes more sense to show the narratives according to the interviewees and thereby show how various narratives are related to one another. We are talking about interviewees #22, 25, 34, 36, and 38. These actors are not consistently and purely pro the inheritance tax, but overall, they would support its introduction.

³⁸³ "en un contexto en el que dices hijo, es que lo único que va a suceder es que del todo lo que trabajamos se van a quedar con X y el resto se va a ir a pagar Pemex, CFE?"

³⁸⁴ "Como principio me parece adecuado. ¿Yo de nuevo batallo en sí, pero para qué? Para generar igualdad de oportunidades como si; para construir trenes mayas o refineries..."

³⁸⁵ ITV #32: "La desigualdad siempre la ha habido y siempre la habrá. Creo yo.

Linartas: "Si. Yo no soy ni socialista ni comunista. Yo no quiero una sociedad sin desigualdad. Pero lo que tampoco quiero es una sociedad de herederos."

ITV #32: "De acuerdo. Y una sociedad sin falta de oportunidades. ... Esos dos elementos, 100% de acuerdo. Sí, 100%."

In parts, the decision whether to group an actor in pro or ambiguous was quite a balancing act, but ultimately their positive narratives or, in one case (ITV #38), their belief that the inheritance tax is fair and necessary, prevail. So, let us begin.

Table 5.4: RON of the Mexican economic elite – group Pro

<i>Mexican Economic Elite (5/20)</i> <i>2019-2023</i>	<i>Pro</i>	
	22, 25, 34, 36, 38	
<i>Value based</i>	13	4
Fairness, Justice	1	
Principle of Equality	2	
„Oportunidades“	3	
Principle of merit	5	
Ownership Principle (Family)	1	
Framework conditions	1	4
<i>Macrosocial</i>	2	4
Means to an end	1	1
Democracy		
Inequality	1	
Home ownership		
Economic reference		3
- Jobs		
Double taxation		
socialism, communism		
<i>Dissatisfaction and suspicion</i>	5	4
Dissatisfaction	2	3
State budget	1	1
Philanthropy		
Corruption		
(Privileges) Rich		
(Privileges) Business assets		2
<i>Envy and resentment</i>		
Principle of justice		
Envy		
State begrudged		
<i>Property preservation</i>	2	1
Principle of equality		
Property principle	1	1
Types of income		
Foreign dimension	1	
<i>TOTAL</i>	22	13

	Pro (i/cat)		Contra (i/cat)	
Strongest	5	13	5	13
Strong	3	10-12	4	10-12
Moderate	2-3	4-9	2-3	4-9
Weak	1	1-3	1	1-3

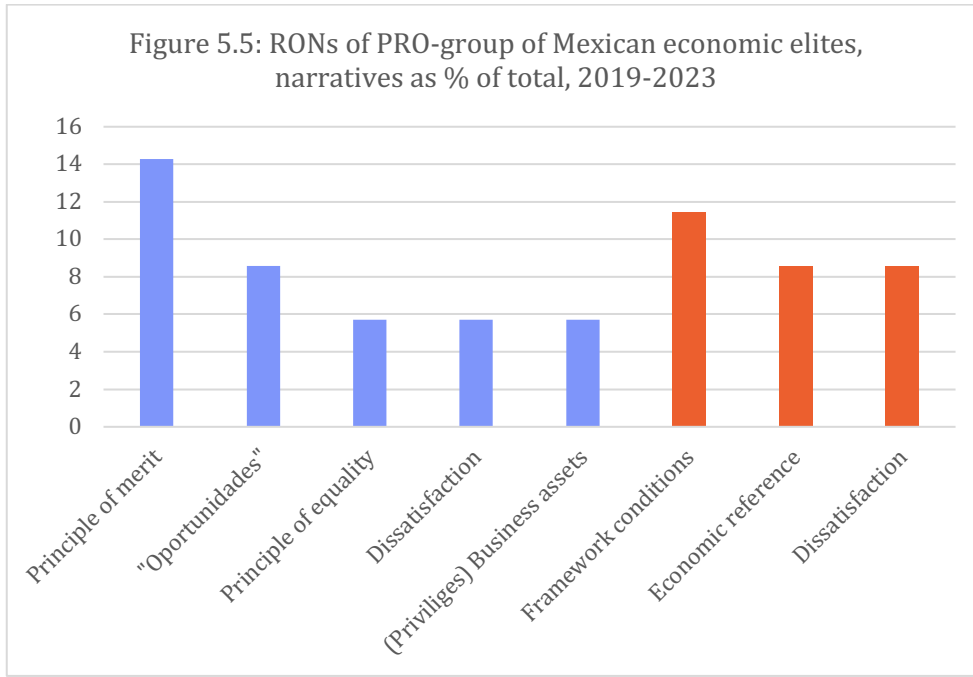
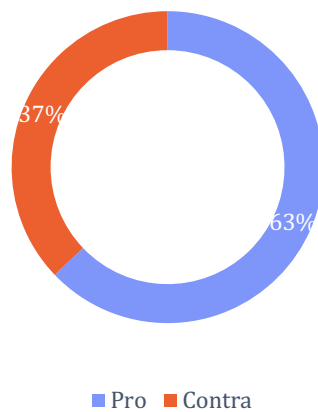


Figure 5.6: Share of pro and contra narratives (%) of Mexican economic elites, group PRO



Actor #34 considered that Mexico should yield an inheritance tax, and yet, "what I see around the world is that rich do not pay wealth taxes. ... in any country the same occurs: where there are taxes on wealth, the richest do not pay them. What's going to happen here? The same" (ITV #34)³⁸⁶. His narratives are grounded in the belief that an inheritance tax should serve to create more opportunities within the society and, in addition, an inheritance goes against the meritocratic principle. Based on this attitude, Actor #34 was against the family principle according to Hegel:

"[And] I don't believe that this 'family solidarity'... I don't have to be the beneficiary of my father's, just because I am his [kid], I don't agree with that. Because that is being meritocratic, isn't it?" (ITV #34)³⁸⁷

The interviewee favored two other principles: that of equal opportunity and the principle of justice. With these two, according to the actor, he might agree completely – at least "moralmente". But he did not know of one example in which these principles are realized with the help of the inheritance tax, which makes him skeptical.

"With these two ... I completely agree. But ... I haven't seen an example where this actually works well. ... Morally I think it would be ideal. Wealth taxes, in terms of inheritance, let's say, are the ones that are very difficult to collect." (ITV #34)³⁸⁸

As much as this actor would be in favor of the inheritance tax due to its meritocratic attitude, he does not believe that it could be established in the sense of equal opportunity, since rich people know how to avoid tax payments.

Interviewee #36 agreed that there should be an inheritance tax, but only if it would be low. The inheritance tax could play a complementary role in reducing inequality, however, it should not exceed 10 percent (ITV #36). With this statement, he was the only one among my interviewees who explicitly addressed the unequal distribution of wealth in regards to the inheritance tax with an optimistic view: "[I]t seems to me that if inheritance taxes are relatively limited to a percentage, say 10 percent, it is something that also contributes to a better distribution of wealth" (ITV #36)³⁸⁹.

A high inheritance tax of around 50 percent, so actor #36, would be excessive as such amounts could lead to heirs having to sell goods in which the assets are tied up, thus disrupting the opportunity to build up wealth over generations. This attitude is consistent with the statements made

³⁸⁶ "Lo que yo veo alrededor del mundo es que esos impuestos, los ricos, no los pagan. ... en cualquier país pasa lo mismo: Donde hay impuestos a la riqueza, los más ricos no los pagan. ¿Qué va a pasar aquí? Lo mismo".

³⁸⁷ "[Y]o no creo que este 'solidaridad familiar'... yo no tengo porque yo ser beneficiario de lo de mi papá, solamente porque soy su hijo, en eso no estoy de acuerdo. Porque eso es ser meritocrático, ¿no?"

³⁸⁸ "Con estos dos ... [y]o estoy completamente de acuerdo. Pero ... yo no he visto un ejemplo donde realmente esto funciona bien. ... Moralmente creo que sería lo ideal. Los impuestos a la riqueza, en términos de herencia, vamos a decir, son los que son muy difíciles de cobrar."

³⁸⁹ "[Y]o creo que los impuestos a las herencias sí son relativamente acotados a un porcentaje, digamos 10%, me parece que es algo que contribuye también a una mejor distribución de la riqueza" (ITV #36).

earlier by the actor with regard to wealth inequality: It is a result of different incomes over the years and it is important to support wealth accumulation – not to make it more difficult by imposing high inheritance taxes.

During our interview, we talked in more detail about the topic of philanthropy. Actor #36 spoke in this context with the greatest appreciation of rich people like Elon Musk, Warren Buffet, Bill Gates, and Jeff Bezos, who inspire him greatly.

"Above all, Gates, to make a foundation oriented to health issues and above all, very focused on countries with tropical diseases that pharmaceutical companies do not investigate because they are diseases of the poor, they do not care about them and there is a 'market failure', let's say. The market alone is not going to solve that, but when there are large foundations like the Gates Foundation that come and say 'we are going to support Gavi, the Global Action Initiative, that is, we are going to look for a vaccine against malaria, a vaccine against HIV, a vaccine against certain tropical diseases, 'river blindness', this trachoma, etc.', I think it is very commendable and it seems to me that they end up doing the work that sometimes governments do not do." (ITV #36)³⁹⁰

Because the state fails to make important investments, philanthropy would be desirable and important. It is therefore only logical that the interviewee chose from Beckert's four principles that of Carnegie, according to which the wealthy testators themselves could determine to which social purposes their accumulated wealth should go. Whether health, education, art, or culture - it should be left to those who created the fortune themselves.

As actor #25 explained, he considers the inheritance tax "a valid" instrument, first and foremost to promote equality of opportunity. The main narrative goes that an heir has done nothing for what he has inherited; thus, the question is why he has a right to the inheritance. Inheritance tax is viewed by this actor particularly from the perspective that opportunity and merit should be decisive when it comes to life chances. At the same time, however, the interviewee expressed his opinion that the will of the testator should not be disregarded. Whoever built up a fortune should be able to decide what would happen to his estate, including after his death. In between these considerations, #25 concluded that part, but certainly not all, of the wealth should go to those who were not lucky enough to have rich parents: "So to me it seems valid to say 'you know what, a piece of [my wealth] should be used to support those who didn't have rich parents'" (ITV #25)³⁹¹.

³⁹⁰ "[S]obre todo Gates, de hacer una fundación orientada al tema de salud y sobre todo, muy enfocada a países con enfermedades tropicales que las farmacéuticas no investigan porque son enfermedades de los pobres, no les importan y hay un 'market failure', digamos. El mercado no va a resolver por sí solo eso, pero cuando hay grandes fundaciones como el Gates Foundation, que llegan y dicen 'vamos a apoyar a Gavi, al Global Action Initiative, es decir vamos a buscar una vacuna contra la malaria, una vacuna contra el VIH, una vacuna contra ciertas enfermedades tropicales, 'river blindness', este tracoma, etcétera', yo creo que es muy loable y me parece que aparte acaban haciendo la labor que a veces los gobiernos no hacen."

³⁹¹ "Entonces a mí me parece válido decir 'sabes que, un pedazo de eso lo vamos a usar para apoyar aquellos que no tuvieron padres ricos.'"

The basic support for the inheritance tax is clear for this actor. However, it is important to ensure that no economic damage would occur when considering how to structure the tax; privileges or a different treatment of business assets must be taken into account:

"Because if we are going to set the inheritance tax at 30%, then if my company is worth 50 million dollars and it is my main patrimony, right? My children inherit it and they have to pay 15 million dollars in tax. They don't have 15 million dollars. Where do they get it from? They have to sell the company." (ITV #25)³⁹²

The preservation of businesses, especially family businesses, are elementary, according to #25, especially because family businesses are preferable to international, impersonal corporations. If business assets were not treated differently, family, national, and regional companies would be endangered. And, as these forms of enterprises represent a more stable business model, especially in the long term, they are of great importance to society and should therefore be treated with the utmost caution.

According to this explanation, the choice among the principles by Beckert was consistent with that offered by Roosevelt. The concept according to Roosevelt takes the creation of opportunities into consideration. While aligning with Roosevelt, the actor would oppose the principles by Hegel and Weber:

"The family principle: I don't agree because it presupposes that you live in isolation. If there was a family like Robinson Crusoe living on an island, I think that's correct. But if you live in a society where you also received inputs from society and collaborate with society, it seems to me to invalidate that. I don't agree with the principle of justice either, because I believe that nobody is obliged to pay for us per se. In other words ... I believe that one thing that is a misunderstanding is to think that wealth exists and is there to be distributed. Wealth does not exist, wealth is created... and we have to be careful about killing the goose that lays the golden eggs." (ITV #25)³⁹³

When asked about the narratives of Calles and Pani, the interviewee suggested, first, that he could imagine 30 percent in the case of inheritance of large fortunes, and second, that in such cases – when millions were at stake – the tax should be designed without exceptions, no matter whether a wife, child, or elder were the heir:

³⁹² "Porque si vamos a poner que el impuesto a la herencia sea 30%, entonces si mi empresa vale 50 millones de dólares y es mi principal patrimonio, ¿no? Lo heredan mis hijos y tienen que pagar 15 millones de dólares de impuesto. No tienen 15 millones de dólares. ¿De dónde lo sacan? Tienen que vender la empresa."

³⁹³ "El principio familiar: No estoy de acuerdo porque presupone que vives aislado. Si hubiera una familia como Robinson Crusoe viviendo en una isla, yo creo que es correcto. Pero si vives en una sociedad en donde recibiste también insumos de la sociedad y colaboras con la sociedad, me parece que se invalide eso. El del principio de justicia tampoco estoy de acuerdo, porque yo creo que nadie tiene obligación de pagar por nosotros per se. O sea... Yo creo que una cosa que es un malentendido es pensar que la riqueza existe y está para repartirse. La riqueza no existe, la riqueza se crea... y hay que tener cuidado con matar a la gallina de los huevos de oro."

"I believe that the inheritance tax should be on higher estates. Well, if someone, if his family is going to bequeath him or her ten million dollars and the heir is an old lady or a child and he or she is going to pay three million dollars in tax, then the heir should pay three million." (ITV #25)³⁹⁴

I also spoke with actor #38 about the ideal level of an inheritance tax in the context of Beckert's principles. This interviewee preferred a combination of the principles according to Carnegie and Weber – the social principle and the justice principle. With regard to Carnegie, many economic elites would already act in this way today and bequeath part of their inheritance to foundations while giving part of their wealth to their family. In the case of the principle of justice, the connection is once again made to opportunities that the free market would not offer.

"If I give it to my foundation or I give it to a foundation with which I agree, for example, I have the peace of mind that it is not the government. I am giving it to someone who I know is managing it well and who is showing me that he is giving scholarships to students, for example, or that he is giving scholarships to women or that he is helping young people. I love that, I love that, I love those stories and I am completely in favor of it. It would be like a mixture of those." (ITV #38)³⁹⁵

The actor is most likely to agree with the principle of justice – on one condition:

"I'm just saying: high I don't know, if we mean 40%, for example, that seems very high to me; for 20% is fine, a more moderate figure, but yes, I'm all for it." (ITV #38)³⁹⁶

The interviewee emphasized not only that the inheritance tax could be a just instrument, but also that it could reduce wealth inequality, "so long as it is well managed"³⁹⁷. Finally, and as usual, we talked about the narrative of Calles and Pani. Again, the actor expressed their stand in favor of the inheritance tax and specifically in regard to these narratives, even though these were made a century ago. But this narrative (the actor speaks of ideology) must be considered with caution:

"What often happens with these types of ideologies is that they are very nice ideologies on paper, but in reality, they are not like that. If it becomes a reality what is on paper, I think it's perfect." (ITV #38)³⁹⁸

³⁹⁴ "Yo creo que el impuesto de herencia tiene que ser en patrimonios más altos. Pues bueno, sí alguien, si su familia le va a heredar diez millones de dólares y es una viejita o es un niño y va a pagar 3 millones de dólares de impuesto, pues que pague tres millones."

³⁹⁵ "[S]i yo se lo dejo a mi fundación o se lo dejo a una fundación con la que yo estoy de acuerdo, por ejemplo, yo tengo la tranquila que no es el gobierno. Le estoy dando a alguien que sé que lo administra bien y que me está demostrando que beca a estudiantes, por ejemplo, o que beca a mujeres o que ayuda a chavos. Eso sí me encanta, eso me encanta, me encanta esas historias y estoy completamente a favor. Entonces sería como una mezcla de los."

³⁹⁶ "Solo digo: alto no sé, si nos referimos a 40%, por ejemplo, que me parece muy alto; por un 20% está bien, una cifra más moderada, pero sí, estoy completamente a favor."

³⁹⁷ "[s]iempre y cuando esté bien administrada."

³⁹⁸ "[L]o que sucede muchas veces con este tipo de ideologías es que son muy lindas ideologías en el papel, pero en la realidad no son así. Entonces si se queda, si se hace realidad lo del papel me parece perfecto."

Finally, I would like to quote one statement in its length, because it summarizes well the position of the actor and makes an important statement looking into the future as well as looking beyond the national horizon:

"It seems to me that it is a tax that sooner or later will be here in Mexico and that has worked in all other countries. I hope that when that revenue from the inheritance tax comes, it will really be distributed to the people in a way that will help to have more social mobility. And of course, I would also be willing to pay this tax. There is no problem. The problem is that right now it makes you very angry because you know that it is going to be misused like every other tax. ... Yes, [I am] more in favor, although I see it so difficult in our country. But well, that's fine, that's fine." (ITV #38)³⁹⁹

Probably closest to this attitude within the group of interviewees and supporters is actor #22. Whether there should be an inheritance tax? "Of course" (ITV #22)⁴⁰⁰. His attitude is also based on the values-based narrative of merit and opportunity. After all, someone who has inherited has done nothing to obtain those assets and the state should intervene at this point and levy taxes when the assets are transferred. But first, according to the interviewee, Mexico's government must prove to the population that the tax expenditure is done properly.

The conversation with actor #22 took a surprising turn when I pointed out that, according to the President's own statement, it was not in his interest to impose taxes of any kind, including the inheritance tax. The answer was startling:

ITV #22: "[I] believe that the president is right. What the president does is to lead the popular feeling that what the government collects is enough to provide better services. So what he says is that first we have to spend better and we have to show the people that beforehand we spend taxes well. ... This is the message that the President is sending and I believe it is the basis for Mexicans to accept more taxes in the future. Because when the State starts to spend in favor of the people, it starts to realize that maybe what it collects is not enough."

Linartas: "So you think or maybe you know that's the plan? First, prove that taxes can be used in a good way. And then you're going to start talking about raising ... "

ITV #22: "Yes."⁴⁰¹

³⁹⁹ "A mí me parece que es un impuesto que tarde o temprano va a estar aquí en México y que todos los demás países les ha funcionado. Ojalá que cuando llegará ese dinero sobre la herencia de verdad se reparta con la gente más, más amoblada, de manera en que ayude a que haya más movilidad social. Sí, y también yo estaría dispuesto. No hay problema. El problema es que ahorita te da mucha rabia porque sabes que va a ser mal utilizado como todos los demás. ... Sí, [estoy] más a favor, aunque lo veo tan difícil en nuestro país. Pero bueno, está bien, está bien."

⁴⁰⁰ "Por supuesto que sí".

⁴⁰¹ ITV #22: "[C]reo que el presidente tiene razón. Lo que hace el presidente es encabezar el sentir popular de que lo que recauda ya el gobierno es suficiente para dar mejores servicios. Entonces lo que él dice es primero tenemos que gastar mejor y tenemos que demostrarle a la gente que antes no se gastaba bien. ... Es el mensaje que está colocando el presidente y yo creo que es la base para que los mexicanos acepten más impuestos en el futuro. Porque cuando el Estado empieza a gastar a favor de la gente, se empieza a dar cuenta de que a lo mejor no es suficiente lo que recauda."

This interviewee is not alone in this assessment. Another interviewee who is very well connected and holds a high position – so that his statement and assessment are beyond my doubt – also expressed his belief that the inheritance tax has found its place on the political agenda and that the inheritance tax will come. Below is the excerpt from the interview in its entirety:

ITV #26: "There is already more talk. Several times it has been put on the table for discussion in the Chamber of Deputies. ... I have been in there and they have asked me directly. They asked me directly, 'what is the position of the businessmen with respect to the inheritance tax?' I don't know it in depth. I don't know the scope. ... I believe that in Mexico it will eventually be implemented.

Linartas: "It will be implemented? You think so?"

ITV #26: "Yes."

Linartas: "Really?"

ITV #26: "Yes. I don't know when, but yes, it is going to be implemented."

Linartas: "Are you already talking to other actors from the economic elite about that issue?"

ITV #26: "Well, businessmen don't like it, they don't like the idea. But I have talked to deputies, and for the deputies, if it is an issue they want to push. Dialogues have already started, they put it on the table, they receive opinions, they take it off, they put it back on.

Linartas: "And what would you say, which parties are talking about the inheritance tax?"

ITV #26: "Morena. With all clarity. And its allies."⁴⁰²

5.1.7 Summary: Neither Black nor White

In the following, I summarize the main narratives of the Mexican economic elite on economic inequality, tools to reduce economic inequality, the state, taxes, the wealth tax, and especially the inheritance tax. The aim is not to embed these in academic debates or even to make normative judgments. The latter is generally not in my interest; this work is designed to be empirical and can

Linartas: "¿Entonces Usted piensa o tal vez sabe que eso es el plan? Primero, enseñar que si impuestos pueden ser usados de una buena manera. Y luego va a empezar a hablar sobre crecer ... "

ITV #22: "Sí."

⁴⁰² ITV #26: "Ya se está hablando más. Varias veces lo han puesto en la mesa de discusión en la Cámara de Diputados. ... Yo he estado en la Cámara de Diputados y me han preguntado directamente. Me preguntaron directamente '¿cuál es la postura de los empresarios con respecto al impuesto a las herencias?' No lo conozco a fondo. No sé el alcance. ... Yo creo que en México acabará por implementarse. En México si se va a implementar.

Linartas: "¿Se va a implementar? ¿Piensa?"

ITV #26: "Sí."

Linartas: "En serio?"

ITV #26: "Sí. Cuando, no sé, pero si, se va a implementar."

Linartas: "¿Entonces, usted está hablando ya con otros empresarios sobre ese tema?"

ITV #26: "Bueno, los empresarios no les gusta, no les gusta la idea. Pero he hablado con diputados, y para los Diputados, si es un tema que quieren impulsar. Ya se iniciaron los diálogos, lo ponen sobre la mesa, se reciben opiniones, lo quitan, lo vuelven a poner.

Linartas: "Y Usted, que diría, ¿cuáles partidos están hablando sobre el impuesto sobre la herencia?"

ITV #26: "Morena. Con toda claridad. Y sus aliados."

serve to further engage with the issues. I will embed these narratives in academic discourse in the final comparison of economic elites in both Mexico and Germany. The aim of the following section is to show the narratives in their entirety and in relation to each other, in order to present and understand the repertoires on the inheritance tax of the Mexican economic elite.

Economic inequality

Economic inequality is a problem for everyone, may it be politically, geographically, socially, or economically. Economic aspects were mentioned most frequently, also as the root cause for Mexico's high level of wealth inequality. If there were less inequality, there would be more economic growth, more formal jobs, and overall, more prosperity for all. In most of the interviews, inequality was particularly often associated with the concept of opportunity. What the saying "Everyone is the architect of his own fortune" is to Germans, are the opportunities to the Mexican economic elite: a just society is measured against its level of equal opportunity. Political tensions and polarization are due in large part to the existing disparities between rich and poor. Polarization is evident not only in the political spectrum, but also geographically between the north, the center, and the south of the country. Another specificity of Mexico is *el narcotráfico*. The lack of opportunities and long-lasting inequality would push children and young people into the drug economy, and put Mexico in the condition of suffering an internal war.

In addition to this area of the economy, there is another that all the interviewees addressed and that is of great concern to the economic elite: *la informalidad*. More than half of Mexico's population works in the informal economy and is thus structurally excluded from the social system and – as to close the vicious circle – cannot contribute to reducing inequality and a sustainable growth of the economy. This is because those who work in the informal sectors do not receive credit, cannot make investments, their businesses remain small, and the people remain poor. The vicious circle seems perfect and difficult to break. But not all interviewees see inequality as the greatest evil. More important than the focus on inequality is the focus on the creation of opportunities and economic growth. Inequality, according to some actors, should be seen as secondary in relation to these concepts.

Tools for reducing inequality

Education is by far the most cited narrative of the economic elite when it comes to reducing inequality. If education were of better quality⁴⁰³, more would be invested in human capital, and children and youth would be given the chance to move out of poverty and into the formal economy. Equal opportunity is often linked to education but is also top of mind for many in its own right as

⁴⁰³ Although we hardly talked about explicit ideas, there was not enough time for that.

a narrative related to inequality: “Inequality is a question of opportunity” (ITV #39)⁴⁰⁴. Due to the lack of equality of opportunity, so goes the saying, economic inequality is at very high levels and Mexico's economic potential cannot be realized at all. The status quo and missing equal opportunities prevent a reduction of inequality and the formation of a meritocratic society in which the talent and diligence of the individual are in the foreground. Currently, most actors agree, most very rich Mexicans do not deserve their wealth.

In addition to education and equal opportunities, economic growth must be promoted above all; if this were stimulated, more investments could be made in education and health. Regarding income inequality, a better wage policy is needed above all. When it comes to wealth, some maintain that income must be increased, which would also reduce wealth inequality. A fairly large group also brought up taxes, but the topic of taxes in general and wealth-related taxes in particular are the ones that divide the group the most. In principle, tax revenues should be higher than at present, but tax levels should not rise as otherwise they would damage the economy. The tax base, not the level of taxation, should go up. However, this would first require an *Estado de Derecho* that could effectively collect taxes and combat tax evasion.

The corrupt and incompetent state

If there is another narrative that is mentioned particularly frequently and emphatically in addition to the one that inequality is problematic, it is the one of the state or the government that are no good economic actors and on top even corrupt. Although corruption can also be found in the private sector, corruption is identified to be particularly serious in politics. To counter this problem, it is essential to increase the efficiency of fiscal policy and create transparency in all tax related structures and processes. In particular, those who have gained experience in ministries during their careers give politicians a poor report card. Their distrust of the state/government, in the sense of their incompetence and corruptibility, is also the reason why the economic elite say almost in unison that higher taxes alone could not bring about an improvement or, concretely, a reduction in inequality. First, there would have to be trust in the apparatus, based on transparency. Regardless of this assessment and its relationship to politics, however, the state should not intervene in the economy, but should have a targeted effect; it should make investments in education, health and shape an active, 'targeted' social policy. If the state were to function in a truly neoliberal manner, equal opportunities were established and oligopolies and monopolies were broken up, Mexico would be in a much better position and inequality would decline.

⁴⁰⁴ “[L]a desigualdad es un tema de oportunidad”.

Taxes: higher revenues yes, higher rates no

According to the stakeholders, it is necessary to increase tax revenues in relation to GDP – the current revenues are a disgrace. It is welcomed that those who are richer should also pay more taxes. But this does not necessarily mean that the tax system should be progressive. While some see progression as important, others see the IVA as a good way to achieve this goal and thus reduce inequality. The effect that is often described is that richer people would consume more, thus paying more into the state coffers. That the IVA is regressive does not change the attitude towards this tax: the IVA should be higher and exemptions (food and medicines) should be eliminated. Another popular tax mentioned is the predial, for the same reason set out for the IVA: these taxes could be easily levied and collected because houses cannot be taken out of the country.

Most interviewees are in favor of higher tax revenues, but not higher tax rates. Rather, they said, the tax base must be increased. If those who work in *informalidad* were to step into the regular economy, and if the exemptions in IVA and the *ejidos* were eliminated, tax revenues would also increase. However, raising tax rates or taxing wealth could have the opposite effect: revenues would fall because capital would leave the country. Some stakeholders would be willing to pay more taxes in principle, but not as long as the expenditure side was so miserable: the problem was not primarily on the revenue side, but on the expenditure side. And the way tax policy is designed, inequality would be exacerbated, not reduced. Politicians alone could not overcome this problem, as they are part of the problem itself; several times the idea was put forward that there is a need for *consejos* in which politicians, economic actors, and civil society should work together on a new tax concept. In this way, trust could be built and transparency created. Overall, opinions differ as to whether taxes are the most important democratic institution or whether other aspects are paramount. Those who do not see taxes as the most important institution in the sense of Saez and Zucman's statement usually name rule of law as more elementary. First, this would have to be a given and this – in contrast to other states such as the USA or Germany – is unfortunately not the case in Mexico. The question about the function of taxes, whether they should also be considered to reduce inequality, was answered in the affirmative by many. Here, too, the Mexican reality would look different, and, as one actor reported: In the Finance Ministry, taxes are only understood from the point of view of tax revenues and expenditures, but not in terms of reducing inequality.

Overall, it can be said that tax policy is viewed very critically, also due to many cases of corruption, a practice of privileging large companies and rich actors, and many problems on both the revenue and expenditure sides. However, the current tax policy of President AMLO is viewed positively, both in terms of making large companies pay and also in terms of "cleaning up" the government and social programs first. As distrustful and negative as the actors are toward the president in general, they give him good credit for his current tax policy.

Wealth tax: between unrealizable and bad per se

When asked about the wealth tax, the camps of the interviewees split very clearly. Very few actors are in favor; most are clearly against it. Those who agree with the IMF, at least about the financial needs caused by the corona pandemic and that this tax could serve to cushion the problems, are generally very skeptical. Their skepticism can be explained by their attitude toward the state, which does not know how to handle tax money and is bad at implementing this form of tax consistently. In addition, they argue that the tax must be designed with great caution so as not to cause any economic damage.

Within the group of skeptics, there are those who question the feasibility and those who reject wealth-based taxes in general. For Mexico, some say, a wealth tax would be inappropriate and further tax revenues could not be generated; instead, there would be greater capital flight. To underscore this belief, many actors told me anecdotes and gave examples of how easy and common it is not to pay unpopular taxes. Wealth taxes do not fulfill their purpose internationally, and neither would they in Mexico, for the simple reason that wealthy people can easily play the state. The second group of opponents of a wealth tax focus primarily on economic aspects: it is economically damaging, they say, because taxing wealth hampers the economic process by disrupting the genesis of wealth. Only the tax on real estate, the *predial*, would be a good wealth-related tax because houses cannot be brought out of the country and this tax would also not damage any economic processes. The topic of philanthropy came up frequently in the parts of our conversations regarding wealth tax: the wealthy should be able to decide for themselves what happens to their money. Twice, the idea was raised that the rich could be required by law to donate a portion of their wealth. But the government, as was repeated time and again, is simply not a good economic actor and thus should leave this business to the businessmen.

The inheritance tax

The inheritance tax is quite unpopular among the Mexican economic elite: of a total of 20 interviewees, eleven told contra-narratives. Still, five actors were in favor of the inheritance tax, while four were ambiguous. Eleven interviewees were against the inheritance tax. Within the three groups, according to the classification, the proponents lead more pro narratives, among the ambiguous the narratives roughly balanced each other, while among the opponents the contra narratives clearly prevailed. Among the latter, in contrast to the other two groups, there were also actors who told nothing but purely contra narratives and had nothing positive to say about the inheritance tax.

Looking at all interviewees, there are three categories of narratives that were served equally most often. The most pro-narratives were values-oriented, and within this category, the inheritance tax was most often linked to an increase in equal opportunity. Above all, the inheritance tax could

ensure that opportunities are better distributed in Mexico. All three groups agreed upon that aspect. As far as the contra-narratives are concerned, macrosocial narratives are equally voiced, alongside those expressing dissatisfaction and distrust of the state and government.

Economic aspects on the one hand and corruption and discontent on the other found their way into the interviews most frequently. An inheritance tax would inhibit economic growth and would therefore be ineffective. In addition, the state is framed as corrupt and bad at collecting taxes overall, and also incapable of efficient government spending. Accordingly, an inheritance tax would not be a good instrument; it would be "the third derivative" (ITV #30). In this context, foreign countries are particularly frequently cited: In a globalized world, where capital can move freely across borders and where wealthy people know about tax systems and loopholes, an inheritance tax would be inefficient. One striking finding is that envy and resentment play almost no role at all. In only three of 120 narratives I analyzed did they appear (in the contra group).

Overall, it can be said that there is a range of narratives of the Mexican economic elite. However, these cannot be lumped together. A useful distinction is to identify at least three groups, which in turn have their own repertoires. Below, I summarize the main findings of the analysis of the narratives of the Mexican business elite according to the three groups: pro, ambiguous, and contra. Which narratives were most frequently told, and in what interplay do they make sense according to the economic actors' conceptions of values and norms, ultimately forming a repertoire of narratives?

Table 5.5: RONS of the Mexican economic elite

<i>Mexican Economic Elite (20) 2019-2023</i>	<i>Pro</i>		<i>Ambiguous</i>		<i>Contra</i>		<i>Total</i>	
	22, 25, 34, 36, 38		24, 28, 31, 32		23, 26, 27, 29, 30, 31, 33, 35, 37, 39, 41		22-41	
<i>Value based</i>	13	4	7	6	12	16	32	26
Fairness, justice	1		2		5		8	
Principle of equality	2		1			1	3	1
„Oportunidades“	3		3		4		10	
Principle of merit	5		1		3		9	
Ownership principle (Family)	1			3			1	3
Framework conditions	1	4		3		15	1	22
<i>Macrosocial</i>	2	4	1	3	4	25	7	32
Means to an end	1	1	1		1	5	3	6
Democracy					1		1	
Inequality	1			1	2	2	3	3
Home ownership				1		2		3
Economic reference		3				13/15		16/18
- Jobs						2		2
Double taxation				1		1		2
socialism, communism								
<i>Dissatisfaction and suspicion</i>	5	4		6		24	3	37
Dissatisfaction	2	3		3		7	2	13
State budget	1	1		2		2	1	5
Philantropy						11		11
Corruption						3		3
(Privileges) Rich				1		2		3
(Privileges) Business assets		2				2		2
<i>Envy and resentment</i>						3		3
Principle of justice								
Envy								
State begrudged						3		3
<i>Property preservation</i>	2	1		3		23	2	27
Principle of equality								
Property principle	1	1		1		8	1	10
Types of income						1		1
Foreign dimension	1			2		14	1	16
TOTAL	20	15	8	18	16	91	44	125

<i>Individual</i>	<i>Pro</i>		<i>Ambiguous</i>		<i>Contra</i>		<i>Total</i>	
	Pro	Con	Pro	Con	Pro	Con	Pro	Con
Strongest	5	5	3	3	15	15	22	22
Strong	4	4			12-14	11-14	17-21	17-21
Moderate	2-3	2-3	2	2	4-11	4-11	6-16	6-16
Weak	1	1	1	1	1-3	1-3	1-5	1-5

<i>Categories</i>	<i>Pro</i>		<i>Ambiguous</i>		<i>Contra</i>		<i>Total</i>	
	Pro	Con	Pro	Con	Pro	Con	Pro	Con
Strongest	13	13	7	7	15	15	37	37
Strong	10-12	10-12	6	6	19-24	19-24	28-36	28-36
Moderate	4-9	4-9	2-5	2-5	7-18	7-18	10-27	10-27
Weak	1-3	1-3	1	1	1-6	1-6	1-9	1-9

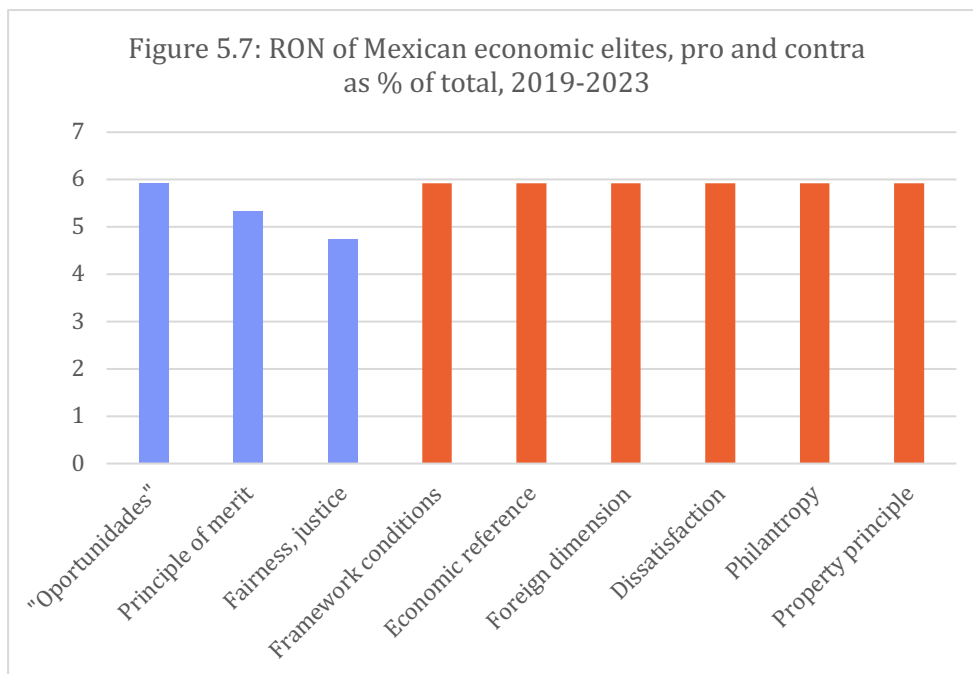
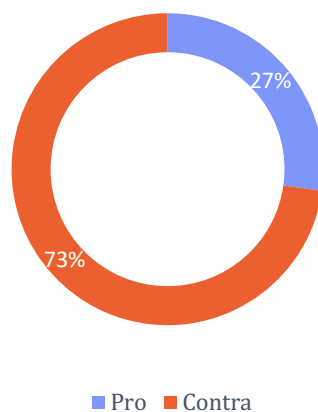


Figure 5.8: Share of pro and contra-narratives (%) of Mexican economic elite, TOTAL



Group Contra: unrealistic and uneconomical

With eleven actors, the group of opponents of an inheritance tax is the largest group in my sample. Within the group, there were four actors who told both pro and contra narratives about the inheritance tax; seven saw the inheritance tax in a consistently negative light. With 85 percent of all narratives, contra narratives predominate clearly in this group.

According to this group, the Mexican state would not be conducive to an inheritance tax, and implementation would be difficult if not impossible. Even if the inheritance tax might work abroad – if at all – it would lead to a large capital flight in Mexico, as there would be "thousands of opportunities" (ITV #33) to do so. Tax avoidance is logical or understandable because the state is not only a bad economic actor, incapable of collecting taxes wisely, but also corrupt and miserable when it comes to the expenditure side. Moreover, the inheritance tax is fundamentally bad because it inhibits economic growth, as is generally the case with wealth-related taxes. The inheritance tax also cannot reduce inequality. This function is not only unrealistic, but also negligible in relation to the damage the inheritance tax would do.

In addition to the contra-narratives, there are also a few pro-narratives. Most of these pro-narratives within the contra-camp are values-based: narratives about fairness, justice and *oportunidades* are the only ones that were moderate in terms of frequency. Also, and especially in relation to Beckert's principles, the two principles of opportunities and justice are the most frequently agreed upon. However, overall and due to Mexican peculiarities, the four principles would not correspond neither to Mexican society nor to the ideas of the interviewees themselves.

A distinctive feature of this group is that property-preserving narratives are very often used (while they are moderately often narrated in the ambiguous camp and seldomly told in the pro-camp). These include the narratives with foreign references, which include that capital should not be thought of only nationally. Furthermore, the desire to keep one's wealth and to avoid taxes would legitimize the shift abroad. The second most common property-preserving narrative relates to the property principle in general: the state does not have the right to decide upon one's capital, and furthermore, it is an (economically) harmful tax substance in general.

Group Ambiguous: The distrust is immense

The group of ambiguous includes only four interviewees. Although they can be classified neither pro nor contra according to their own statements or my assessment, the contra narratives outweigh the pro-narratives with a ratio of seven to three.

The most frequent narratives in this group are those based on values and, within this group, those based on *oportunidades*. Equality of opportunity is particularly high on the agenda of these actors. These values are sometimes in direct conflict with the family ownership principle, so that one

actor openly states "I'm troubled." The poor framework conditions in Mexico are also a major factor in the consideration of inheritance tax. Distrust of the state is very pronounced. These narratives lead actors to believe that an inheritance tax could not help reduce economic inequality. Conversely, from a macrosocial perspective, there is almost nothing to be said for the introduction of the inheritance tax. While on the one hand the contradiction of opportunity and merit is recognized, on the other hand the family principle and the corrupt and inefficient state form narratives against an inheritance tax.

Within the narratives of mistrust and dissatisfaction, no pro narratives on the inheritance tax were cited. In this category, dissatisfaction was most evident, followed by the narrative that the state does not know how to spend its revenues properly. The distrust is immense.

Group Pro: It should and will come

The group of proponents of the inheritance tax accounts for a quarter of all interviewees in my sample. I was able to conduct a total of five interviews with actors from the Mexican economic elite who are in favor of the inheritance tax. This group by no means speaks purely positively about an inheritance tax in Mexico, but positive narratives still predominate and are mentioned in more than six out of ten times.

By far the most narratives are values-based, with the principle of merit at the top of the list, and *oportunidades* in second place. In society, achievement should be paramount, and heirs have done nothing for their inheritance. It convenes with this understanding about inheritances that property-preserving narratives are almost not mentioned at all; on the contrary, when asked about Beckert's four principles, the family principle according to Hegel is the only one that no one would agree with.

The only contra-narrative within the values-oriented narratives, and at the same time in second place among the most frequently mentioned narratives, is that of the framework conditions. Even if the interviewees consider the inheritance tax to be a valid instrument in principle, the framework conditions make it very difficult if not even impossible to levy the tax – especially from the point of view that wealthy people would simply not pay.

Furthermore, if an inheritance tax were to be introduced, it would be essential to ensure that it would not cause any economic damage; business assets would therefore have to be treated differently and the inheritance tax should not be set too high. There is no consensus on the ideal level: amounts of ten, 20 and 30 percent are mentioned.

Particularly interesting are the assessments of some interviewees that the introduction of an inheritance tax is merely a matter of time. It would come, said some, and not only actors from the group of supporters are convinced. If a tax were introduced, said one pro-inheritance tax actor,

he would have no problem with it and would definitely pay. However, he added that he hopes it would be used sensibly and purposefully to create opportunities so that the efforts of the individual would be worthwhile, because the way taxes are currently used would be a disaster.

In this sense, one interviewee explained that this is precisely on what President AMLO is currently working: The first tasks to be carried out are to apply the existing tax laws sensibly, to review the efficiency of the social programs, and to eliminate unnecessary expenditures, first and foremost within the government's own ranks. If this were to increase confidence in the state and in fiscal policy, the next step could be to introduce the inheritance tax. The actors do not know when this will happen, but they are certain that it will.

5.2 Analysis of the Interviews with the German Economic Elite

It would be presumptuous to speak of a uniform business elite in its attitudes toward inequality, the state, taxes, the wealth tax, and the inheritance tax. There are a few concepts and views that are shared by a large part of the group. But much more, the actors differ in their narratives, in their attitudes, their preferences, and views. What they have in common is a critical attitude toward the state, first and foremost as an economic actor; however, there is no fundamental distrust in terms of corruption, and in many areas, such as climate and education, there is even a desire and expectation for the government to do more. In the interview, I also asked the actors about their voting behavior and got a mixed picture: more than a third voted for the CDU/CSU in the last federal election, and about a fifth each voted for the SPD, the Greens, or the FDP. This range already suggests how heterogeneous the group is – and accordingly also their attitude toward financial policy instruments, including the inheritance tax.

According to the analysis of narratives based on interviews, I divide the actors into three groups: eight of the 18 interviewees were clearly against strengthening the inheritance tax, four actors fluctuated strongly in their position, and six interviewees held the opinion that it was important to strengthen the inheritance tax. The narratives for or against the inheritance tax were far from uniform, however. There were narratives that found their way into the interviews more frequently, but in some cases the narratives within a group would also contradict each other. For example, in the pro group when it came to the need to strengthen the tax, there was debate about whether this should be done in the interests of tax fairness, reducing wealth inequality, or against the background that the merit principle should continue to exist.

My interview partners gave me between 30 and 60 minutes to hear their narratives, to talk about their own backgrounds, where their convictions came from and on what they were based. Even though I was working at the time for the then candidate for chancellor and federal chairwoman of Bündnis 90/Die Grünen, Annalena Baerbock, and, in the opinion of some, obviously did not see eye-to-eye with them politically, there were no political discussions or disagreements at any time during the interviews; after all, these interviews were for my doctoral thesis and what mattered were only the narratives of the actors, which are neither right nor wrong, but an expression of values, norms, and ideas. I classify each narrative finally: Is it pro or contra and on which topic explicitly was it spoken?

Table 5.6: German economic elite – list of interviewees

<i>Name</i>	<i>Company/Association</i>	<i>Position*</i>
Martin Brudermüller	BASF SE/BDI	CEO/MoEB
Leonhard Birnbaum	E.ON/BDI/BBUG	CEO/MoEB/M
Premal Desai	GFG	COO
Peter Gerber	Brussels Airlines	CEO
Jan-Hendrik Goldbeck	GOLDBECK GmbH	CEO
Joe Kaeser	Siemens AG/BBUG	CEO/M
Arnd Koefler	Thyssen Steel Europe AG	CTO
Markus Krebber	RWE/BDI	CEO/MoEB
Bernhard Lorentz	EY	Partner
Martina Merz	Thyssen Krupp/BDI	CEO/MoEB
Wolfgang Nickl	Bayer AG	CFO
Bernhard Osburg	Thyssen Steel Europe AG	CEO
Hagen Pfundner	Roche Germany	CEO
Richard Pott	CSB Covestro	SB
Marc Spieker	E.ON	CFO
Markus Steilemann	Covestro AG/BDI	CEO/VP
Alexis von Honesbroech	Austrian Airlines	CEO
Ute Wolf	Evonik Industries AG	CFO

*Position at time of interview. | Legend: CEO: chief executive officer; CFO: chief financial officer; COO: chief operating officer; CTO: chief technology officer; M: member; MoEB: member of executive board; SB: supervisory board; VP: vice president.

5.2.1 Inequality Has Primarily to do with Education

Inequality is problematic for most interviewees. Of all stakeholders, 80 percent agreed with the statement that "the unequal distribution of income and wealth in Germany is increasingly becoming a problem for social cohesion in the population"; of these, 37 said "completely," while 43 percent said "rather yes." One interviewee even stated that eradicating poverty and reducing inequality should be the most important goal of a state. There were also stakeholders who felt that inequality was "rather not" or "not" a problem.

Even though four out of five interviewees see inequality as a problem, attitudes toward inequality vary widely. This becomes clear both in the interviews and in the survey when the question about the most serious consequences is asked: At 25 percent, class conflict was the most frequently cited response; this was followed by "morally wrong" at 20 percent; demand problems in the sense of underconsumption were identified at 15 percent each; other problems that received 15 percent were lack of qualified employees, violence and crime; while patronage politics was mentioned by

10 percent. It became clear in the discussions that inequality often seemed diffuse and difficult to grasp. It was therefore all the more important and instructive to talk specifically about which forms of inequality were classified as problematic and why, or when inequality was not problematic according to the interviewees.

Let's start with the smaller group, those actors who do not see inequality as a problem. In my cover letter, I openly communicated to the actors that inequality was my main topic. One of my questions was whether my counterpart understood inequality as a concrete problem. This was not the case for three actors (ITV #3, 5, 17):

"Explicitly? No. It's always so implicit that you say if the whole society is developing, then it's good for the not so privileged." (ITV #5)⁴⁰⁵

In doing so, the actors describe exactly why inequality is not a problem for them. It is not inequality that is problematic or to be considered, but how those in the population who are poorest are doing overall (ITV #3, 5, 17). As long as the trend of development and prosperity for the whole society is growing, inequality is not a problem. Inequality is often linked to work, as stated by Actor #3 – those who are dissatisfied with their own position should work more. From their own biographical experience, they emphasize that this is the key to success:

"Inequality is not an issue for me at all, just let everyone work ... I come from a world, I worked for everything myself. ... actually anyone else could have done it." (ITV #3)⁴⁰⁶

Inequality is an expression of the merit of those who are at the top and the lack of work by those who are poor. But through the merit of those who are richer, the wealth as a whole would grow and could also help the poor (ITV #6, 11, 17):

"If the gap at a certain point in time is small, and then the gap grows in both directions, that is, the poor get poorer and the rich get richer, then we have a problem. But if the rich get richer, but the poor also get richer, only the rich perhaps get richer a bit faster than the poor, then that would be a much smaller problem in my view. Then there would still be an increase in prosperity among the poor, and that's at least what I think I'm seeing. That there is an overall upward trend. Yes, the spread then perhaps also increases, and perhaps this spread is also to some extent the price for the fact that the gradient goes up at all. Because the spread is ultimately the reward for merit." (ITV #17)⁴⁰⁷

⁴⁰⁵ "Explizit? Nein. Es ist immer so implizit, dass man sagt, wenn die gesamte Gesellschaft sich entwickelt, dann ist es auch gut für die nicht so Privilegierten."

⁴⁰⁶ "Ungleichheit ist für mich überhaupt kein Thema, soll einfach jeder arbeiten... ich komme aus einer Welt, ich habe mir alles selber erarbeitet. ...eigentlich hätte das ja jeder andere auch machen können."

⁴⁰⁷ "Wenn sie zu einem bestimmten Zeitpunkt nah beieinander sind, und dann geht das Ganze auf, das heißt, die Armen werden ärmer, und die Reichen werden reicher, dann haben wir ein Problem. Aber wenn die Reichen reicher werden, aber auch die Armen reicher werden, nur die Reichen vielleicht ein bisschen schneller reicher werden als die Armen, dann wäre das aus meiner Sicht ein viel geringeres Problem. Dann findet ja immer noch ein Wohlstandszuwachs auch bei den Armen statt und das ist das, was ich zumindest meine zu beobachten. Dass es also insgesamt einen Trend nach

Merit and reward, according to actor #17, would go together in our system. A system that does not reward merit might then be more equal and have less inequality, but overall everyone would be worse off, as for example the comparison of the FRG and GDR systems have shown:

"Without rewards for merit, the benefits might not exist to the extent they do, and then the spread would not be so great. But everyone would be much poorer than we are today. ... For me, actually the best example, GDR, FRG, this is really on display. The spread in the GDR was extremely low, but overall they just kept the level, without any development, and the poverty in the GDR was much, much greater than the poverty in the FRG. In the FRG, there you had meritocracy, and that's why the gap went further apart. But the poor in the FRG were richer than the rich in the GDR." (ITV #17)⁴⁰⁸

Inequality is thus the price of prosperity in a society that rewards merit. A good price, as actor #17 emphasizes:

"In my opinion, at least, you should not look at the gap in such a one-dimensional way, but you have to look at the overall trend. And if the overall trend is upwards, then I believe that the gap is part of the reason why it is like this. But then it's a good thing." (ITV #17)⁴⁰⁹

For merit to translate into success, he said, the most important thing is to ensure education and opportunity.

"Well, the inequality in educational opportunities is problematic. For me, that's the only really critical inequality ... I find that extremely problematic, because if someone doesn't have the chance to realize opportunities, then from my point of view that's firstly wasteful and secondly incredibly problematic. Because then your place of birth decides upon whether you're born lucky or you're not." (ITV #3)⁴¹⁰

From their own experience, interviewees reported the importance of their opportunities to have worked their way into their position through a lot of diligence and work. Most of my interviewees

oben gibt. Ja, die Spreizung nimmt dann vielleicht auch zu, und vielleicht ist diese Spreizung auch ein Stück weit der Preis dafür, dass überhaupt der Gradient nach oben geht. Weil die Spreizung letztlich die Belohnung für die Leistung ist."

⁴⁰⁸ "Ohne Belohnung der Leistung gäbe es möglicherweise die Leistungen gar nicht in dem Umfang, und dann wäre zwar die Spreizung nicht so groß. Aber es werden halt alle viel ärmer, als wir heute sind. ...Für mich eigentlich das beste Beispiel, DDR, BRD, da hat man es ja wirklich auf dem Präsentiertablett. Die Spreizung in der DDR war extrem niedrig, aber insgesamt sind die einfach gerade ausdurchgefahren, ohne irgendeine Entwicklung, und die Armut in der DDR war viel, viel größer als die Armut in der BRD. In der BRD gab es ja die Leistung, und deswegen ist das immer weiter auseinander gespreizt. Aber die Armen, die Armen in der BRD, die waren reicher als die Reichen in der DDR."

⁴⁰⁹ "Man darf – also meiner Meinung nach zumindest – auf gar keinen Fall so eindimensional nur auf die Spreizung achten, sondern muss sich insgesamt anschauen, wo der Trend hingeht. Und wenn der Trend insgesamt nach oben geht, dann glaube ich, dass die Spreizung ein Teil des Preises dafür ist, dass es so ist. Aber dann ist es aber auch gut, dass es so ist."

⁴¹⁰ "Also, die Ungleichheit bei den Bildungschancen ist problematisch. Das ist für mich die einzige wirklich kritische Ungleichheit... Die finde ich äußerst problematisch, denn wenn jemand nicht die Chance hat, aus seinen Möglichkeiten etwas zu machen, dann ist das aus meiner Sicht erstens Verschwendung und zweitens unglaublich problematisch. Weil das dann wirklich dazu führt, je nachdem, wo du geboren wirst, hast Du Pech gehabt hast oder nicht."

are first- or second-generation academics and report their advancement through education and a great deal of diligence. Had they not had these opportunities, this would have been critical.

"And that's why ... educational inequality ... for me is the only thing that I really find critical. ... If someone like me hadn't had the chance to go to college, I probably would have become a dissatisfied person. This way I'm a happy person." (ITV #3)⁴¹¹

Another actor makes it clear that equality in itself has no value for him. It is not possible in a free society anyway:

"Can you make a society completely equal? It only takes milliseconds and you have inequality again because people are just differently smart, intelligent and have a different drive and different preference orders." (ITV #15)⁴¹²

But what counts, he says, is clear: equal opportunity.

"You have to have equal opportunities, so that even the socially weaker have a chance to make it up the ladder, so that I'm not basically already trapped by my background, like in the old Indian caste system. That is the dangerous thing. Not the inequality that one has a billion, the other has millions, and the other has nothing. I don't care about that, what counts is the dynamic, that the permeability remains." (ITV #15)⁴¹³

In this respect, inequality is problematic. What matters are the opportunities that everyone should receive and feel equally.

"Inequality has explosive power, because of course it also excludes people. And I think it's always important: do I have a perspective for myself? ... [W]hen I live with the impression right from the start that I have no chance at all, that the doors stay closed for me, then that is a completely different attitude to life and also a completely different emotional reaction. That's why I think this social permeability is incredibly important, so that everyone individually feels as though they have a chance. Of course, this is about opportunities, and that is of course something that is in retreat. I think this permeability, it's already different, and I think it's also an issue that certain jobs are just also very poorly paid." (ITV #14)⁴¹⁴

⁴¹¹ "Und deswegen ist ... Bildungsungleichheit ... für mich das einzige, was ich wirklich kritisch finde. ... Wenn jemand wie ich nicht die Chance gehabt hätte, ein Studium zu machen, ich wäre wahrscheinlich ein unzufriedener Mensch geworden. So bin ich ein glücklicher Mensch."

⁴¹² "Schaffst du es, eine Gesellschaft komplett gleich zu machen? Das dauert nur Millisekunden und Du hast schon wieder Ungleichheit, weil Leute halt unterschiedlich schlau, intelligent sind und drive haben, unterschiedliche Präferenzordnungen."

⁴¹³ "[D]ie Chancengleichheit muss da sein, also dass auch die sozial Schwächeren eine Möglichkeit haben, den Aufstieg zu schaffen, sodass ich nicht durch meine Herkunft im Grunde genommen schon wie im alten indischen Kastenwesen gefangen bin. Das ist das Gefährliche. Nicht die Ungleichheit, dass der eine eine Milliarde, der andere Millionen hat und der andere hat gar nichts. Das ist mir egal, aber dass die Dynamik, die Durchlässigkeit da bleibt."

⁴¹⁴ "[Ungleichheit] hat schon Sprengkraft, weil es natürlich auch Menschen ausgrenzt. Und ich glaube, wichtig ist auch immer: habe ich selber für mich eine Perspektive? ... [W]enn ich von Anfang an mit dem Eindruck lebe, ich habe gar

Against this background, inequality is problematic as soon as it no longer allows permeability in the sense of realizable opportunities through education (ITV #3, 6, 14, 15, 17). In and of itself, however, and also against the background of extreme wealth, inequality does not matter. These actors also emphasize this: as long as the population as a whole is better off, it does not matter how much richer the richest, such as Elon Musk, are.

"[W]hen I manage to get the median and the weakest link in the chain to a higher standard, and I say I'm primarily complaining about inequality because there are some crazy rich people a la Elon Musk who are inducing inequality by existing, I would say, what's the problem? I don't care." (ITV #6)⁴¹⁵

Interviewee #6 found it fundamentally difficult to answer the question about whether inequality was problematic or not. He was not alone in this; there were some who pointed out that it was also a matter of defining concepts and comparing, both between countries and historically (ITV #7, 16, 17) and also a matter of looking at the data (ITV #6). Answering the question was therefore very difficult, according to Interviewee #6:

"I find it politically very difficult in these wars of faith to identify what are really facts based on numbers. You can't say these are the facts and that's completely clear, because then there are the facts from one and the facts from the other, and then some say 'but he forgot that and so'. I always start feeling sick when I start to say in these frameworks, 'yes, it is clear that the inequality ...' and then the other says 'no, but you haven't taken that into account and so on'. In the end I don't presume to make a final statement, because in the end I simply can't judge to find the final truth in this huge mountain of different facts." (ITV #6)⁴¹⁶

But, according to the interviewee,

keine Chance, für mich sind die Türen zu, dann ist das ein ganz anderes Lebensgefühl und auch eine ganz andere emotionale Reaktion. Also von daher glaube ich, ist diese soziale Durchlässigkeit unheimlich wichtig, dass eben jeder die Chance, zumindest individuell empfindet, zu haben. Natürlich geht es hier um Chancen, und das ist natürlich etwas, was auf dem Rückzug ist. Ich glaube, diese Durchlässigkeit, die ist schon anders, und es ist, glaube ich, auch ein Thema, dass bestimmte Jobs eben auch sehr schlecht vergütet werden."

⁴¹⁵ "[W]enn ich es schaffe, dass ich den Median und das schwächste Glied in der Kette auf einen höheren Standard kriege, und ich sage, ich beschwere mich primär über Ungleichheit, weil es irgendwelche crazy rich people a la Elon Musk gibt, die dadurch Ungleichheit, dass sie existieren, induzieren, würde ich sagen: wo ist das Problem? I don't care."

⁴¹⁶ "Ich finde es politisch ganz schwer, in diesen Glaubenskriegen, was nun wirklich zahlenbasierte Fakten sind. Es ist ja so, dass man nicht sagen kann, das sind die Fakten und das ist völlig klar, sondern es gibt die Fakten von dem einen, und die Fakten von dem andern und dann sagen die einen 'da hat er aber das vergessen und so'. Mir wird da immer übel, wenn ich da anfange, in diesen Gerüsten zu sagen, ja, es ist doch klar, dass die Ungleichheit ... und dann sagt der andere 'nee, aber da hast du das noch nicht berücksichtigt und so'. Da maße ich mir am Ende keine finale Aussage an, weil ich es am Ende einfach nicht beurteilen kann in diesem Riesenberg von verschiedenen Fakten die finale Wahrheit zu finden."

"anything that permanently disrupts social peace ultimately has social relevance... If growing inequality means that ultimately we no longer have social consensus, ultimately we no longer have the capacity to act and perform, then we have a problem with that." (ITV #6)⁴¹⁷

In this way, inequality is not directly understood as a problem, it is not personally experienced as a problem, but its consequences are seen as such in society. The lack of permeability or reduced social mobility is the aspect that gives many interviewees cause for concern and allows them to classify inequality as a problem.

In the course of discussing inequality, the formative role of the family is often mentioned. Many anecdotes and descriptions revolve around parents; whether they read the newspaper with you at the breakfast table (#ITV 3) or paid attention to and focused on education was often emphasized (ITV #1, 5, 17). If this environment was not provided by parents, it would be difficult for their children:

"If you don't have a stimulating environment at the dinner table, and you don't get your kids to the point of developing that ambition, all the money doesn't do them any good." (ITV #1)⁴¹⁸

Another actor emphasized the importance of lower taxes for lower inequality, following the example of Ronald Reagan in the US⁴¹⁹. While in the relevant recent and progressive work of economists this very period is identified as the beginning of neoliberalism and the "inequality turn", the actor takes the position that less taxes on corporations is good for the economy and population. In fact, the trickle-down effect is classically described with reference to corporate taxes:

"Reagan probably demonstrated it best, that if you lower the corporate tax, more people get jobs, can buy stuff, sales tax goes up, and if more people work and pay payroll taxes, then it's also a good story for the overall state finances. So, I would really look into that. Might not be an issue that's politically opportune right now, but is a very important one to me." (ITV #16)⁴²⁰

In doing so, the actor emphasized several times, "but [he] would not dismantle the welfare state" (ITV #16). What was interesting about this conversation was that it was the actor himself who named the US as a negative extreme case in terms of inequality. And yet, Reagan's policies should

⁴¹⁷ "alles, was dauerhaft den sozialen Frieden letztendlich stört, hat gesellschaftliche Relevanz... Wenn eine wachsende Ungleichheit dazu führt, dass wir letztendlich keinen gesellschaftlichen Konsens mehr haben, letztendlich nicht mehr handlungs- und leistungsfähig sind, dann haben wir damit ein Problem."

⁴¹⁸ "Wenn Sie kein stimulierendes Umfeld am Abendessenstisch haben, und sie bringen ihre Kinder nicht an den Punkt, diese Ambition zu entwickeln, nützt ihnen alles Geld nicht."

⁴¹⁹ Anthony Atkinson (2015), Gabriel Zucman and Emmanuel Saez, and Joseph Stiglitz see Reagan's presidency as the beginning of neoliberal economic and financial policies and explicitly the inequality turn (Atkinson 2015, 80).

⁴²⁰ "Der Reagan hat es wohl am besten demonstriert, dass, wenn man die Unternehmenssteuer senkt, kriegen mehr Leute Arbeit, können sich Sachen kaufen, Umsatzsteuer geht rauf, und wenn mehr Leute arbeiten und Lohnsteuer bezahlen, dann ist es auch eine gute Geschichte für die gesamten Staatsfinanzen. Also, ich würde da wirklich reingucken. Ist vielleicht nicht so ein Thema, das politisch gerade opportun ist, aber ist für mich ein ganz wichtiges."

be taken as an example. The actor himself was "rather neutral" on the issue of inequality on a personal level, but would see its consequences for Germany as a "big problem" (ITV #16).

Those who see inequality as problematic do so for a variety of reasons: some speak of the division becoming entrenched over time and creating less permeability, others speak of the polarization of society and politics. Those who see inequality as a major problem are more likely to see the structural problems caused by inequality. Here, too, social mobility is recognized as a problem, but the focus is less on poor families and more on rich families. Migration also plays a role, as actor #7 considers:

"The discussion about questions of justice [increases] the more society solidifies. So since ... social mobility has decreased again to a certain extent, because certain social circles have become more self-sufficient and are creating their own offspring, and at the same time it is becoming more difficult for groups that don't belong to them to move up, according to my observations, than it was, for example, in the 1970s. As a result, this discussion is being held more strongly again, I believe. Perhaps also because we have more people coming to Germany who don't have the homogeneous background that would enable them to participate immediately. Those seem to me to be two reasons that condition this."

(ITV #7)⁴²¹

As a third factor besides social mobility and migration, Actor #7 names the media; other interviewees also see their role as making inequality a bigger issue than it is – not just reporting on it (so does ITV #11).

"Theme of class conflict. Because that's exactly what I said at the beginning. Under certain circumstances, we run into a debate of envy in the way we talk about it today, and that divides society in a way that I don't think we have today. I mean, I'm a real advocate of the social market economy. Those are also the issues, the elements that we just discussed in there, that of course you have additional responsibilities if you're wealthy. But I thought over many decades, the social market economy has actually served German society well. It has actually taken extremes in stride. In this respect, the question now is actually whether you don't get a class conflict again through this kind of, how should I say, now through the political pushes and prioritizations." (ITV #1)⁴²²

⁴²¹ "Die Diskussion über Fragen der Gerechtigkeit [nehmen zu], je stärker die Gesellschaft sich verfestigt. Also seit ... die soziale Mobilität wieder ein Stück abgenommen hat, weil sich bestimmte Gesellschaftskreise gesettelt haben, und aus sich selbst heraus Nachwuchs kreieren, gleichzeitig der Aufstieg für Gruppen, die da nicht dazugehören, schwieriger wird, nach meiner Beobachtung, als es zum Beispiel in den 70er-Jahren war. Dadurch wird diese Diskussion wieder stärker geführt glaube ich. Auch vielleicht dadurch, dass wir natürlich schon mehr Leute haben, die nach Deutschland kommen und die eben nicht den homogenen Background haben, der ihnen sofort Teilhabe ermöglichen würde. Das scheinen mir so zwei Gründe zu sein, die das bedingen."

⁴²² "Thema Klassenkonflikt. Weil das genau das weiß ich, was ich anfangs gesagt habe. Wir laufen unter Umständen da in der Thematisierung, wie wir die heute haben, in eine Neiddebatte, und die spaltet die Gesellschaft in einer Form, wie wir es meiner Meinung nach heute nicht haben. Ich mein, ich bin ein wirklicher Verfechter der sozialen Marktwirtschaft. Das sind auch die Themen, die Elemente, die wir gerade besprochen haben, drin, dass man natürlich zusätzliche Verantwortung hat, wenn man auch vermögend ist. Ich fand aber über viele Dekaden, die soziale Marktwirtschaft hat die

Some stakeholders perceive that the topic is given more space than it actually occupies. People might feel disconnected, but not to the extent that it is reported:

"Another important point seems to me that there has to be a more open factual discussion about the background to this. That's where I would get a bit political, personally and as a board member, all the acceptable parties in Berlin and in the federal government have so far not succeeded in also bringing a bit of transparency and objectivity to this issue. Why do I say that? The middle class that I have just mentioned, as they say – the master craftsman, the bank clerk, civil servant, the academic, the career path that has not taken them to the top of a company – all those who make up the masses in the distribution curve, they feel today – feel! – they already feel left behind to some extent. ... They are all worried about what will happen [in the future], and that is an important point that should not be neglected. In my opinion, the numbers, if you read them soberly, the gap is also nowhere near as wide as in many other liberal democracies, and the perceived change doesn't match that." (ITV #11)⁴²³

Others, however, understand that populism and polarization emphasize inequalities more strongly (ITV #4, 18); but this does not necessarily mean that these inequalities do not exist.

"The trend [of growing inequality] is problematic, of course, because no matter how you think politically, whenever polarities, whenever tensions between poles increase, it's always burdensome for a group of people. I just think the tension then increases because the forces of each pole become stronger, so I see that as a strain." (ITV #18)⁴²⁴

One actor reported that he had perceived that inequality had grown and had observed extreme wage differentials, specifically speaking of "excesses" at the top of the income pyramid. However, this did not occur in the companies where he worked:

"[A]s chairman of the board of a stock corporation, where I am ultimately an employee, I would have problems finding such excesses, which we have also successfully observed in

Deutsche Gesellschaft eigentlich gut bedient. Sie hat Extreme eigentlich weggegriffen. Insofern ist jetzt eigentlich die Frage, ob man durch diese Art, wie soll ich sagen, jetzt durch die politischen Forcierungen und Priorisierungen, nicht wieder einen Klassenkonflikt kriegen."

⁴²³ "Ein weiterer wichtiger Punkt erscheint mir, dass es eine schier offenere Sachdiskussion zu den Hintergründen dazu geben muss. Da würde ich ein bisschen politisch werden, persönlich und als Vorstand, es ist allen akzeptablen Parteien in Berlin und im Bund bisher nicht gelungen, auch ein bisschen Transparenz und Sachlichkeit in dieses Thema zu bringen. Warum sage ich das? Die gerade von mir angesprochene Mittelschicht, wie man so schon sagt – also der Meister, der Bankkaufmann, Beamte, zum Akademiker, die Laufbahn dahin, die nicht bis an die Spitze eines Unternehmens gelangt sind – all die, die die Masse auch ausmachen in der Verteilungskurve, die fühlen sich ja heute – fühlen! – die fühlen sich ja heute auch schon zum Teil abgehängt. ... Die haben alle die Sorgen, was passiert da [in Zukunft], und das ist ein wichtiger Punkt, der nicht zu vernachlässigen ist. Meiner Meinung nach, die Zahlen, wenn man sie nüchtern liest, ist die Schere auch bei weitem nicht so weit aufgegangen wie in vielen anderen liberalen Demokratien, und die gefühlte Veränderung entspricht dem nicht."

⁴²⁴ "Der Trend [der wachsenden Ungleichheit] ist natürlich problematisch, denn egal wie man politisch denkt ist, immer wenn Polaritäten, wenn Spannungen zwischen Polen zunehmen, dann ist es für eine Gruppe von Menschen immer belastend. Ich denke einfach, die Spannung nimmt dann zu, weil die Kräfte der einzelnen Pole stärker werden, also das betrachte ich als Belastung."

in Germany. And we have always made sure that this was not the case. We have always made these comparisons. I have not been able to observe those, I have to say fairly. On the contrary, there were even many years when the collective agreements showed that the percentage increase in the collective agreement area was significantly higher than in the top management or even in the management area. But these excesses clearly exist, and these misalignments and undesirable developments have also occurred. Do I think they are good? No, I don't think anything of it, because it basically leads to an extremely unhealthy development and also from my point of view, incomes of CEOs that are, I don't know, in the direction of 20, 30 million or so, are not justified from my point of view. ... unfortunately, this is not uncommon in the banks. But as I said, character is a little bit influenced by the thing you're dealing with, that's unfortunately the case." (ITV #10)⁴²⁵

Very few saw the problem in the structure or in the policy. Some actors know Thomas Piketty's work well, including some who agree with Piketty's analysis. In his own words and "flippantly," as he himself says, Actor #11 explained why inequality has grown and is a problem for him:

"Actually, it's in the nature of things, that's what I meant mathematically. If one has 1,000 euros and the other has 100 euros, both get 10 percent on that every year – that's math, 8th grade – it just won't stay the same. And then you just become, what did he [Piketty] always call it? Privateer. That's what you become when you have inherited these 1,000 euros again and again for long enough and have invested them in your account. Or invested them elsewhere... and I share his assessment that the gap – he has proven this, I can't deny it; others before him have also 'felt' this – has widened and we are slowly reaching the situation of more than 100 years ago in the economies he examined. That's scary because we all know what happened." (ITV #11)⁴²⁶

Overall, such structural descriptions of the factors or even inequalities in relation to specific groups occurred only rarely: gender, skin color, ethnicity, or religious affiliation were rarely

⁴²⁵ "[A]ls Vorstandsvorsitzender einer Aktiengesellschaft, wo ich letztendlich Angestellter bin, hätte ich Probleme, solche Auswüchse, die wir teilweise auch beobachtet haben, auch in Deutschland beobachtet haben, wirklich gut zu finden. Und wir haben eigentlich immer darauf geachtet, dass das nicht der Fall war. Wir haben diese Vergleiche immer aufgestellt. Ich habe die nicht beobachten können, muss ich fairerweise sagen. Im Gegenteil, es gab sogar viele Jahre über die Tarifverträge der prozentuale Zuwachs im Tarifbereich deutlich höher war als im Top Management oder auch im Management Bereich. Aber diese Auswüchse gibt es klar, und diese Fehlstellungen und Fehlentwicklungen hat es auch gegeben. Finde ich die gut? Nein, ich halte davon nichts, weil es im Grunde genommen zu einer extrem ungesunden Entwicklung führt und auch aus meiner Sicht, Einkommen von Vorstandsvorsitzenden, die sich, was weiß ich, in Richtung 20, 30 Millionen oder so bewegen, aus meiner Sicht nicht gerechtfertigt sind. ... in den Banken ist das leider nicht ungewöhnlich. Aber wie gesagt, da ist sowieso der Charakter ein bisschen beeinflusst durch die Sache, mit der man umgeht, das ist leider so."

⁴²⁶ "Eigentlich liegt es schon in der Natur der Sache, das meinte ich mich 'mathematisch'. Wenn Sie einmal 1000 Euro haben und der andere hat 100 Euro, beide kriegen jedes Jahr 10 Prozent darauf – das ist Mathe, 8. Klasse – das funktioniert eben nicht, dass das gleich bleibt. Und dann werden Sie eben, wie hat er [Piketty] es immer genannt? – Privatier. Das werden Sie dann, wenn Sie diese 1000 Euro lang genug immer wieder vererbt bekommen haben und auf dem Konto angelegt haben. Oder woanders angelegt haben... und ich teile seine Einschätzung, dass die Schere – das hat er ja nachgewiesen, da kann ich ja nicht von der Hand weisen; das haben auch schon andere vor ihm "gefühlte" – eben weiter auseinander gegangen ist und wir wieder in den untersuchten Volkswirtschaften auch Zustände vor über 100 Jahren langsam erreichen. Das ist beängstigend, weil wir dann alle wissen, was dann passiert ist."

mentioned. Only one actor spoke specifically about migration (ITV #7), while two other actors spoke about the economic inequalities evident among women and single parents (ITV #9, 14).

ITV #14: "...of the one-sixth, or what they have there [of those affected by poverty], there are of course many women among them and single mothers. ... that's where you really have to get at it."

ITV #9: "Single parents are really left behind. I see that in my circle of friends, too. It's not a good development at all. I see that as a problem, as a big problem."⁴²⁷

Individual or family-related reasons for the existing inequalities are primarily identified by those who do not see inequality as problematic or do not see it as problematic at all. Inequality would show itself in the willingness to perform and education, so that the gap between rich and poor is deserved. The structural aspect, or the role of the state in terms of compulsory education, as well as the deterioration in social mobility overall, are described by those who see inequality as problematic. Political aspects, for example in the sense of a worse position or discrimination, tax policy, etc., are hardly addressed, in fact almost not at all. In principle, almost all of the actors interviewed see that opportunities for advancement through education and achievement must be given, otherwise a social problem would arise. Accordingly, the best means of reducing inequality are often discussed in the interviews in terms of investment and promotion of education.

5.2.2 Instruments to Reduce Inequality: Education, Education

Not a single actor has left out this tool: Education. All interviewees put this topic at the top of the agenda in conversations around inequality and what could be done about it. This also comes through in the survey, namely when nearly 80 percent of all interviewees said that the most important tool for reducing inequality was "better education" (77.7 percent). Only two interviewees said that higher taxes on income should be increased, and only one each said that "employee participation in profits and operating results" and "more efficient social benefits" were the solution. There were actors who saw education as the only instrument, while others saw it as one of the main instruments (along with taxes, for example). Only one actor was critical of the instrument, because he read an article on it that left a lasting impression on him, according to which education in meritocratic systems has a discriminatory effect - but for the interviewee this means that all the more must be invested in education. Education, then, would be the interviewee's instrument of choice, in which more would have to be invested:

⁴²⁷ ITV #14: "...von dem Sechstel, oder was sie da haben [an Armutsbetroffenen], da sind natürlich viele Frauen drunter und alleinerziehende Frauen. ... da muss man wirklich ran."

ITV #9: "Alleinerziehende sind echt abgehängt. Das sehe ich auch im Freundeskreis. Das ist überhaupt keine gute Entwicklung. Ich sehe das als Problem, als ein großes Problem."

"When I look at the federal budget and the state budgets, and I think about where we're putting money and for what, I think education is financed far too little. ... one of the key issues is education, education, education. For me, education policy is underfunded. And of course this whole federalism that we have in Germany is not really helpful." (ITV #5)⁴²⁸

Almost everyone agrees with this tone. Inequality can be reduced "[i]n particular through education. I think education is a very, very central component" (ITV #8). Here, the issues of education and opportunity are usually placed in relation to each other. Unlike taxes, for example (which we will discuss later), education is better:

"I think that's the better debate because it doesn't come through envy – that you should not first take something away from people because they supposedly have too much – but that you think about how do I actually create opportunities to improve the opportunities of the disadvantaged. And I think that starts with education, that's number one."
(ITV #15)⁴²⁹

However, education is only the starting point and should be understood far beyond the school subjects. As already indicated above, it is also about gaining an understanding of values and norms in order to lay the foundation for a meritocracy:

"We have to get into education, into the foundations, and then you have to get into the whole environment around it.... It's not about teaching someone math and German... that the children get something sensible to eat, that they learn to organize themselves, and that it doesn't make sense outside of school to just hang around the TV and eat chips. You have to enable sports activities as a counterbalance, in other words, what you might call a healthy childhood – and that doesn't require a lot of money. And of course that also includes measures. ...Of course, you have to provide them with money so that their schools are just as good as those in good areas. But as a state, I think we also have to take note of the fact that some children are helped by spending more time away from home. That means full-day programs, inclusive school concepts, inclusive recreation." (ITV #15)⁴³⁰

⁴²⁸ "Wenn ich mir den Bundeshaushalt und die Länderhaushalte angucke, und mir überlege, wo stecken wir Geld rein und wofür, dann finde ich, dass die Bildung viel zu kurz kommt. ... eines der Schlüsselthemen ist Bildung, Bildung, Bildung. Bildungspolitik ist für mich unterfinanziert. Und natürlich auch dieser ganze Föderalismus, den wir in Deutschland haben, ist nur bedingt hilfreich."

⁴²⁹ "Ich glaube, man muss – und ich glaube, das ist die bessere Debatte, weil die nicht über den Neid kommt – dass man erst mal Leuten was wegnimmt, weil die angeblich zu viel haben – sondern dass man überlegt, wie schaffe ich eigentlich Chancen, die Chancen der Benachteiligten zu verbessern. Und ich glaube das fängt an mit Bildung, das ist die Nummer eins."

⁴³⁰ "Wir müssen in die Bildung, in die Fundamente, und dann muss man auch an das ganze Umfeld darum herum... Es geht ja nicht darum, jemandem Mathe und Deutsch beizubringen... dass die Kinder was Vernünftiges zu Essen kriegen, dass sie lernen, sich selbst zu organisieren, und es außerhalb der Schule nicht sinnvoll ist, nur vom Fernseher rumzuhängen und Chips zu essen. Sportangebote als Ausgleich, also das, was man sozusagen als gesunde Kindheit – und dazu gehört ja nicht viel Geld – auszeichnet, dass man denen das ermöglicht, und dazu gehören natürlich auch Maßnahmen. ...Man muss sie natürlich mit Geld ausstatten, dass die Schulen da genauso gut sind wie in guten Gegenden. Aber man muss auch als Staat, glaube ich, zur Kenntnis nehmen, dass man manchen Kindern damit hilft, wenn sie vielleicht mehr Zeit außerhalb von zu Hause verbringen. Das heißt Ganztagsangebote, inklusive Schulkonzepten, inklusive Freizeitgestaltung."

The state cannot take over and absorb everything; important human capital stems from the family (ITV #1, 3). But the state could make many things better by offering all-day and leisure activities, by investing more in schools as a whole, and above all by offering better opportunities for children from poorer households. Diligence and merit should be supported, also through scholarships; such programs could certainly contribute to improving the situation.

"I would have no problem at all paying students 1,500 euros, let's say if you graduate well, you don't have to pay that back." (ITV #1)⁴³¹

Among all interviewees, there were three voices that were somewhat more critical of this issue. One interviewee, for example, compared the present and the past, noting that more advancement occurred in the past, in the 1970s (ITV #7). Another actor reported that in the past, inheritances counted less compared to achievement; achievement was more important (ITV #10). The problem that Germany has, he said, is an

"empirically proven unfair education system, which distributes the chances of advancement unfairly. ... This origin-future issue is ... not yet solved, and that is one of the central tasks of functional, liberal democracies, to get a grip on it." (ITV #13)⁴³²

It is important to start at an early stage and to take migration history into account:

"My [children] will all graduate from high school, although they're probably not much smarter than Aiche and Mehmet, who grow up in [hot spot neighborhood] and don't graduate from high school. If they took an IQ test at eight, they'd all be the same. But they lose and we win. And that's the context we have to break and we only break that if we educate them earlier and longer together." (ITV #13)⁴³³

It is clear from many of the interviewees that education has played a major role in their careers and they perpetuate this for their own children (up to and including ITV #13, who states that his children went to normal schools). Education was the most important, the starting point. That this is critical and could promote inequality is emphasized by Actor #12: wealthy families would use their wealth to get better access to better education. He told me about an article that made a lasting impression on him and changed his attitude towards education in terms of inequality, because the deficits in education policy in Germany were drastic and resulted in the opposite effect of what education was supposed to do – namely reduce inequality. Actor #12 read an article about

⁴³¹ "Ich hätte überhaupt kein Problem, den Studenten 1.500 Euro zu bezahlen, sagen wir, wenn Du einen guten Abschluss machst, brauchst Du das nicht zurückzahlen."

⁴³² "empirisch nachweislich ungerechtes Bildungssystem, was eben die Aufstiegschancen ungerecht verteilt... Dieses Herkunft-Zukunftsthema ist ... noch nicht gelöst, und das ist eines der zentralen Aufgaben funktionaler, liberaler Demokratien, das in den Griff zu kriegen."

⁴³³ "Meine [Kinder] werden alle Abitur machen, obwohl die wahrscheinlich nicht viel schlauer sind als Aiche und Mehmet, die in Neukölln groß werden und nicht Abitur machen. Wenn die einen IQ-Test machen würden mit acht Jahren, sind die alle gleich. Aber die verlieren und wir gewinnen. Und das ist der Zusammenhang, den wir aufbrechen müssen und den brechen wir nur auf, wenn wir sie früher und länger gemeinsam ausbilden."

"meritocratic achievement societies versus these state-directed societies, i.e. essentially the US, China, these models. And what I found very convincing is the point that meritocratic systems, even when detached from the economy, from the economic distribution of goods, become highly discriminatory in terms of access to educational opportunities. In other words, in the end, equality of opportunity is very much impaired by the fact that, even in a highly meritocratic society, the generation of heirs is privileged. Not through money primarily, but through access to education, and thus is quasi doubly privileged." (ITV #12)⁴³⁴

The privilege comes, on the one hand, from inheritances and the better house that rich children come from. On the other hand, they would experience a great advantage over other children. Children from richer households also experience more financial support in education, be it through better schools, tutoring, educational opportunities in leisure time and hobbies, or even later in their studies. This point is underlined by many of the interviewees. They would use their resources to support their children at school and university:

"I have invested a lot in my children's education, because that is definitely the best starting point. And what I also don't want, with the inheritance, is of course that they have a care-free life in any direction, that they don't have to do anything anymore. But rather, I'm giving them a jump start so that they can then, with pride, earn something for themselves in their lives." (ITV #1)⁴³⁵

Most interviewees have in common that if they have children, they want to support them; with all of them stating in the interviews that they want their own children to create their own careers through education and diligence:

"I want my children to develop themselves. But for the hard work of my wife and I, we would like to give them, let's say, the bonus of not having to worry about a roof over their head and their kids' education and so forth." (ITV #16)⁴³⁶

Education yes, luxury no, is often the motto: "I want... [my children] not to have to worry, but they don't have to buy a Ferrari when I'm gone" (ITV #16). While some say education is "the only key"

⁴³⁴ "meritokratische Leistungsgesellschaften versus dieser staatlich dirigistischen Gesellschaften, also im Kern USA, China, so diese Modelle [gelesen]. Und was mich da sehr überzeugt hat, ist der Punkt, dass meritokratische Systeme eben auch losgelöst von der Wirtschaft, von der wirtschaftlichen Verteilung der Güter, über Zugang zu Bildungschancen stark diskriminierend werden. Also dass am Ende die Chancengleichheit sehr stark dadurch beeinträchtigt wird, dass auch in einer hochgradig meritokratischen Gesellschaft am Ende die Erbengeneration privilegiert ist. Nicht über das Geld primär, sondern über den Zugang zu Bildung und damit quasi doppelt privilegiert ist."

⁴³⁵ "Ich habe sehr viel investiert in die Ausbildung meiner Kinder, weil das auf jeden Fall der beste Startpunkt ist. Und was ich auch nicht will, mit dem Erben, ist natürlich, dass die ein sorgenfreies Leben in jeglicher Richtung haben, dass man eigentlich nichts mehr tun muss. Sondern ich gebe ihnen eine Starthilfe, damit sie dann, mit Stolz, in ihrem Leben sich selbst was erwirtschaften."

⁴³⁶ "Ich möchte, dass meine Kinder sich selber entwickeln. Ich würde aber gerne für die harte Arbeit von [meinem Partner] und mir denen schon, sagen wir mal, den Bonus geben, dass sie sich über ein Dach über dem Kopf und über die Ausbildung ihrer Kinder und so weiter keine Sorgen machen müssen."

or at least by far the most important (ITV #5, as well as 1, 3, 4, 15, 16, 17), others indicate a mix of tools they would pull from the toolbox. Actor #2, for example, would both raise the minimum wage and lower taxes on low incomes. Systematic privileges for rich citizens are also called into question: Actor #9, for example, wonders why he (still) receives child benefits, while other actors say that capital gains tax could be made progressive again (ITV #10) or that high wealth in particular should be taxed via inheritance tax (ITV #13).

Several actors mention taxes as an important instrument against inequality - especially in their function to finance and increase investments in education policy (e.g. ITV #7, 12). But more on taxes in detail below. Two actors explicitly oppose taxes as instruments. One actor would prefer to see philanthropy expanded (more on this in detail in a moment).

"I would as an instrument - I do personally, I must say - I find that people with wealth [should] use their wealth in such a way that social initiatives can be paid for and promoted out of it. I think that's good." (ITV #18)⁴³⁷

Especially in comparison to the foundation system ("I think the German foundation system is yesterday's news," ITV #18), philanthropy could be efficient and purposeful - but according to market economy criteria. Actor #18 explains what this could look like:

"Now, of course, you can say, I invest in a company like that, I do that, I can now deduct that from my taxes when I donate. But it would be even better if I could make this available to these companies as equity capital. So they don't have to solicit donations every day and always be grateful. Like crazy. But it would be even better if I could provide these funds to this company as equity. Then the company is stabilized and can act reliably. And with that, of course, I can create a completely different impact. These institutionally funded welfare activities in Germany... I'm a bit creeped out by organizations like the *Paritätischer Wohlfahrtsverband*. ... I'm sure they do great things, but I come more from the social enterprise corner. ... Not like, I give something and then please say thank you to me. From my point of view, that is out of step with the times ... I like to put my money out there. I want it to be used professionally. I don't want it to become less, but I want the person who gets it to have it reliably, so they don't have to come back every month. ...it's a good coupling between philanthropy and the market economy. I think it's a contemporary kind of philanthropy." (ITV #18)⁴³⁸

⁴³⁷ "Ich würde als Instrument - mache ich persönlich auch, muss ich sagen - ich finde, dass Menschen mit Wohlstand ihren Wohlstand so einsetzen [sollten], dass daraus soziale Initiativen bezahlt und gefördert werden können. Das finde ich gut."

⁴³⁸ "Jetzt kann man natürlich sagen, ich investiere in so ein Unternehmen, das tue ich, das kann ich jetzt dann von der Steuer absetzen, wenn ich spende. Aber noch besser wäre es, ich würde diesen Unternehmen das als Eigenkapital zur Verfügung stellen können. Damit sie nicht jeden Tag spenden einwerben müssen und immer dankbar sein müssen. Wie verrückt. Sondern besser fände ich es, ich würde diesem Unternehmen diese Mittel als Eigenkapital zur Verfügung stellen. Dann ist das Unternehmen stabilisiert und kann agieren, verlässlich. Und damit kann ich natürlich einen ganz anderen Impact erzeugen. Diese institutionell geförderten Wohlfahrtsaktivitäten in Deutschland... also mir ist ein bisschen gruselig bei so Dingen wie dem Paritätischen Wohlfahrtsverband. ... Die machen sicher tolle Sachen, aber ich komme eher von der Sozialunternehmensecke. ... Nicht über so, ich gebe was und bitte sage dann danke bei mir. Das ist

Other interviewees also mention the instruments of philanthropy (ITV #1, 6). But it is precisely here that another actor sees the biggest problem: it is the mentality of the people that has changed – for the worse – and where one has to start (ITV #10). His critical attitude toward taxes is also rooted in this attitude (and a few more anecdotes and comments on this below):

"I don't think the solution lies in a better or fairer tax system, you won't get [less inequality] with that. I believe that the solution lies in people's minds, in people's values. ... Unfortunately, that has changed completely. Society has changed, opinions have changed and this basic understanding that you have to give and should give with a warm hand, this basic understanding is unfortunately no longer there, but we have developed a very selfish society. That's actually the problem, I don't think you correct that through a tax system."
(ITV #10)⁴³⁹

5.2.3 The Slow Apparatus Called the State

The state does not have an easy standing within the business elite. No one questions that the state as a good or strong player in the context of the interviews. But according to the responses in the survey, it is important all the same. The most important task of the state, say over 60 percent, is to preserve democracy. The second most common response, at 28 percent, is that the state should prioritize economic growth. In addition, the state has an important role to play in providing a safety net: When asked whether "the government should protect and/or support people more if they are at risk of losing their jobs to a large extent as a result of digitization or globalization," 46 percent answered "rather yes" and 23 percent "fully." Almost a quarter of all respondents said "rather not," and one interviewee was not sure. When asked about Agenda 2010, there was a high degree of unanimity: 87 percent of all interviewees thought it was good that Agenda 2010 "called on people to take⁴⁴⁰ more personal responsibility and care more about their own provision for their future." Only two interviewees, or 13 percent, answered that the consequences of Agenda 2010 had been "rather bad".

The state should definitely invest more in climate, education, and infrastructure. Only one interviewee, when asked if more money should go to these areas, said he was against it. Everyone else agreed that the state needs to invest more: 39 percent say it should do so through new loans; 32

aus meiner Sicht aus der Zeit gefallen. Ich stelle gerne mein Geld zur Verfügung. Ich will, dass es professionell genutzt wird. Ich will nicht, dass es weniger wird, aber ich will, dass derjenige, der es hat, es auch verlässlich hat, dass der also das nicht jeden Monat wiederkommen muss. ...es ist eine gute Kopplung zwischen Philanthropie und Marktwirtschaft. Ich finde, das ist eine zeitgemäße Art von Philanthropie."

⁴³⁹ "Ich glaube nicht, dass die Lösung in einem besseren oder gerechteres Steuersystem liegt; [weniger Ungleichheit] werden Sie damit nicht hibekommen. Sondern ich glaube, dass die Lösung in den Köpfen der Menschen liegt, in den Werten der Menschen. ... Das hat sich leider eben komplett gedreht. Die Gesellschaft hat sich geändert, die Meinung hat sich geändert und dieses Grundverständnis, dass man eben mit warmer Hand geben muss und geben sollte, dieses Grundverständnis ist leider nicht mehr da, sondern wir haben eine sehr egoistische Gesellschaft entwickelt. Das ist eigentlich das Problem, das denke ich korrigieren Sie nicht durch ein Steuersystem."

⁴⁴⁰ In the survey I asked about the railroads; they were criticized more often. Investments should be made in infrastructure, but not necessarily in the rail network.

percent think the state should make cuts elsewhere and not take out new loans; another 29 percent would like to see the state increase taxes and fees. Yet, as one stakeholder pointed out, investing through new borrowing – which was the most commonly cited response – would not be the answer that reflects his position. But at present, he said, this is the right thing to do:

"I can understand why the current government is relaxing this debt brake in order to kick-start the whole green transformation more quickly. I think the burden on future generations is okay. In general, though, I wouldn't say that. In general, I would say the state has to [make investments] by cutting elsewhere. But tending, right now, the state has to invest more. In the current state today, 2022, the state needs to invest more. It has to invest green, it has to invest in infrastructure, see rail lines, etc., it has to build wind turbines, it really has to invest more, it has to stimulate more investment. At the moment, currently, I'm choosing to take out new loans." (ITV #18)⁴⁴¹

Based on these responses, it can be estimated that for the vast majority, the state has to fulfill a certain minimum standard of welfare – especially when it comes to the issues of climate and education – but that opinions differ widely when it comes to the degree of how actively the state should intervene. Almost half of all respondents are in favor of the state withdrawing further from the economy and continuing the privatization of recent decades; one-third say privatization has been just the right amount; while only 20 percent think it has gone too far.

In open conversation, the state is generally connoted negatively: it is too big, ineffective, too greedy, too slow, and even bullying. But let's take it one step at a time: The state is too big. By this, some actors mean that politics intervenes in too many areas, makes individual responsibility more difficult and redistributes too much. According to ITV #1, for example:

"What is on the distribution list, that is the madness in our society. More and more is being distributed, more and more is being subsidized, and you find intervention in every area of life. In my opinion, this is a disaster, because nothing at all is left to personal responsibility. One topic after the other comes up, where the state thinks it must bring its fingers in and redistribute something again somehow. You can also get by with tax revenues if you distribute less." (ITV #1)⁴⁴²

⁴⁴¹ "Ich kann es nachvollziehen, dass die jetzige Regierung diese Schuldenbremse lockert, um die ganze grüne Transformation schneller anzuschieben. Das finde ich auch die Belastung kommender Generationen in Ordnung. Im Allgemeinen würde ich das aber nicht sagen. Allgemein würde ich sonst sagen, er muss es durch Kürzen anderswo machen. Aber tendenziell, im Moment muss der Staat mehr investieren. Im gegenwärtigen Zustand heute, 2022, muss der Staat mehr investieren. Er muss grün investieren, er muss die Infrastruktur, siehe Bahnstrecken etc., er muss Windräder bauen, er muss wirklich mehr investieren, er muss mehr Investitionen anregen. Im Moment, gegenwärtig, bin ich bei Aufnahme neuer Kredite."

⁴⁴² "Das, was auf der Verteilungsliste steht, das ist der Wahnsinn in unserer Gesellschaft. Es wird immer mehr verteilt, es wird immer mehr alimentiert, und es wird auch in jedem Lebensbereich eingegriffen. Meiner Meinung nach eine Katastrophe, weil überhaupt nichts mehr in Eigenverantwortung ist. Ein Thema nach dem anderen kommt hoch, wo der Staat meint, er müsse seine Finger reinbringen und nochmal irgendwie irgendwas umverteilen. Man kann auch mit den Steueraufkommen klarkommen, wenn man weniger verteilt."

According to another actor who shares this viewpoint, the state cannot be responsible for everything and also cannot at all "compensate for everything that goes [wrong] in the family" (ITV #3). One interviewee – for reasons of anonymity I cannot say which one – has a severely disabled family member. Even in his exceptional case, the actor remained clear in his understanding and tone:

"I have a severely disabled [family member], a 24-hour-care-case. [The family member] needs infinitely more than the average in terms of support, and of course, [my family] can afford everything privately, but [the family member] is also getting a lot more support from our welfare state right now. And I have a couple of healthy [family members], they're actually reasonably smart too, but lazy as hell. They don't need any support at all, they actually just need a kick in the butt." (ITV nn)⁴⁴³

The statement of another actor is less strict but goes in the same direction. While the state must try to keep inequality in check, to "even it out," it must above all

"motivate people to make the best of themselves and must also help those who find themselves in need through no fault of their own. I see that as a state responsibility. But outliers, such as the wealthy, I would say, of course you have to have something like a tax system, but you also have to take into account that if someone bring their funds back into the investment cycle, that's also a good thing for the market economy." (ITV #18)⁴⁴⁴

The state should therefore fulfill a minimum standard, but the market economy is the better, more effective, actor. Money would seep away in the state apparatus, which would be neither in the interest of individuals nor in the interest of society:

"I don't want my money to trickle away somehow. Do you understand? I want to see targeted projects that make an impact, that are also managed professionally. I'm happy if I get zero percent interest, but I'm not happy if it's squandered unprofessionally, in unprofessional systems." (ITV #18)⁴⁴⁵

The same interviewee is also the one who named philanthropy among the best tools against inequality. If one were to pay more taxes, this would not be purposeful and accurate.

⁴⁴³ "Ich habe ein schwerbehindertes [Familienmitglied], ein 24-Stunden-Pflegefall. [Das Familienmitglied] braucht unendlich viel mehr, als der Durchschnitt an Unterstützung, und natürlich, ich kann mir privat alles leisten, aber [das Familienmitglied] kriegt im Moment auch von unserem Sozialstaat viel mehr Unterstützung. Und ich habe ein paar gesunde [Familienmitglieder], die sind auch eigentlich einigermaßen schlau, aber stinkfaul. Die brauchen gar keine Unterstützung, die brauchen eigentlich nur einen Tritt in den Hintern."

⁴⁴⁴ "motivieren, das Beste aus sich zu machen, und muss die, die ohne eigene Schuld in Not geraten, auch auffangen. Das betrachte ich schon als staatliche Aufgabe. Aber Ausreißer, wie zum Beispiel Vermögende, da würde ich sagen, natürlich muss man sowas wie ein Steuersystem haben, aber dabei muss man auch berücksichtigen, dass, wenn jemand seine Mittel wieder in den Investitionskreislauf schickt, ist das für die Marktwirtschaft auch eine gute Sache."

⁴⁴⁵ "Ich möchte nicht, dass mein Geld irgendwie versickert. Verstehen Sie? Sondern ich möchte, dass gezielt Projekte, die einen Impact machen, gesucht werden, die auch professionell gemanagt werden. Ich bin happy, wenn ich 0 Prozent Zinsen kriege, aber ich bin nicht happy, wenn es unprofessionell verschleudert wird, in unprofessionellen Systemen."

"I simply don't believe that civil servants or people who redistribute institutionally, they are not per se the good people who do the redistribution, but are on some transfer positions. I think what we do is much better if, for example, we create a capital market for philanthropy, where we say: Okay, there's practically an investment market emerging, now there's a capital market for philanthropy, and then philanthropy is managed very professionally by people who don't support the rabbit club today and another thing tomorrow, but who really are professionals ... who are trained philanthropists, if I may put it that way. Because impact – it sounds strange now, but generating a social impact from the injection of funds is not that simple. ... This impact measurement is a very difficult subject, and the better professionals you have at work, the more likely you can assume that their philanthropic contributions will also be used professionally and thus then also achieve maximum impact." (ITV #18)⁴⁴⁶

Not only is the state ineffective, it is also simply too slow as an apparatus. Especially in today's times, it is important to formulate goals quickly and effectively, to implement plans, to make progress. Other countries can do this, but Germany is incapable.

"It's just about speed... in the time that Shanghai, for example, has built 16 subway lines, we might manage a planning approval process in Germany for one subway line... That's why we have to pay attention in Germany to how we stay capable of acting, so that we can continue to apply our high social standards." (ITV #6)⁴⁴⁷

Efficiency is important, but it's not the only thing that upsets the economic players: The state makes life difficult for those who make an honest effort, and is also rude. One interviewee uses two anecdotes to describe the source of his anger toward the state.

"... my [family members], they were self-employed. They also had times when they earned very well, and then at some point they marched into insolvency. What I've experienced is how the IRS still kicks you when you're down. That's unimaginable. And actually, in my view, it's the job of the state's administration to help those who take risks and work particularly hard, instead of giving them a hard time. But the audacity of, let's say, small stupid,

⁴⁴⁶ "Ich glaube einfach nicht, dass Beamte oder Menschen, die institutionell umverteilen, die sind ja nicht per se die guten Menschen, die die Umverteilung machen, sondern sind auf irgendwelchen Transferpositionen. Ich finde es viel besser, wenn zum Beispiel jetzt, was wir da machen, ein Kapitalmarkt entsteht für die Philanthropie, wo man sagt: Okay, da entsteht praktisch ein Investmentmarkt, jetzt entsteht da ein Kapitalmarkt für die Philanthropie, und da wird dann die Philanthropie sehr professionell gemanagt von Menschen, die nicht heute den Hasenverein fördern und morgen den sowieso, sondern die wirklich da Profis sind ... die geschulte Philanthropen sind, wenn ich das mal so sagen darf. Weil Wirkung - es klingt jetzt komisch, aber aus Mittelzufuhr eine soziale Wirkung zu erzeugen, das ist nicht so einfach. ... Diese Wirkungsmessung ist ein ganz schwieriges Thema, und je bessere Profis Sie am Werk haben, desto eher können Sie davon ausgehen, dass ihre philanthropischen Beiträge auch professionell eingesetzt werden und damit dann auch maximale Wirkung erzielen."

⁴⁴⁷ "Es geht halt um Geschwindigkeit... in der Zeit, in der zum Beispiel Shanghai 16 U-Bahnlinien gebaut hat, schaffen wir vielleicht ein Planfeststellungsverfahren in Deutschland für eine U-Bahnlinie... Deswegen müssen wir in Deutschland darauf achten, wie wir handlungsfähig bleiben, damit wir unsere sozialen hohen Maßstäbe auch weiterhin anwenden können."

wretches in the administration, to go after people who take risks, breaking their neck, that observation has already affected me very negatively." (ITV #3)⁴⁴⁸

Further, the interviewee explained his negative experiences with civil servants and how easily it could be different.

"I would have less trouble paying taxes if I was asked kindly and nicely. If they wrote to me, 'Mr. XX, we really appreciate what you paid again...' Well, I exaggerate a bit ... 'And we ask you to do the following now'. Instead, I get a letter that says, 'according to paragraph 18, you have tomorrow to do this and that. ... And if not, then you will face a penalty.' That makes me wonder every time, who am I anyway? ... As a wealthy person, I always feel like I'm being told I have to apologize. Why don't they treat me kindly and say thank you once? It is just that easy and I would be reacting very differently." (ITV #3)⁴⁴⁹

Bureaucracy should not only be reduced, according to this actor, but it should also be friendly. At this point, I will take the liberty of being normatively judgmental (instead of descriptive) on the last point: Why not? It would not produce any costs or inconvenience.

5.2.4 Narratives about Taxes: As Complex as the System Itself

Skeptical about taxes

One-third of all economic actors interviewed are generally skeptical about taxes (ITV #1, 2, 3, 6, 14, 18). By skeptical, I mean that these actors are opposed to development that would target tax increases and raise tax revenues. Tax cuts, on the other hand, some would approve of. One of the questions in the open conversation was how stakeholders would change the tax system – particularly income, property, and corporate taxes, both in amount and in relation to each other. Taxes on smaller incomes could be reduced, but there should be no tax increases on high incomes or wealth:

⁴⁴⁸ "...meine [Familienmitglieder], die waren Selbstständige. Die haben auch mal Zeiten gehabt, wo sie sehr gut verdient haben, und dann sind sie irgendwann in die Insolvenz marschiert. Was ich erlebt habe, ist, wie das Finanzamt einen noch tritt, wenn man am Boden liegt. Das ist nicht vorstellbar. Und eigentlich ist es nach meiner Sicht Aufgabe der Verwaltung des Staates, gerade denen, die Risiken eingehen und sich besonders hart einbringen, denen zu helfen, anstatt die auch noch blöd anzugehen. Aber was, ich sag mal, kleine blöde, Wichte in der Verwaltung, sich herausnehmen und dann wirklich also Leuten, die Risiken eingehen, das Genick brechen, das hat mich schon sehr negativ beeinflusst."

⁴⁴⁹ "Ich hätte weniger Probleme, Steuern zu zahlen, wenn ich freundlich und nett angeschrieben werden würde. Wenn man mir schreiben würde, Herr XX, wir wissen das sehr zu schätzen, was Sie wieder gezahlt haben.... also, ich sage es Ihnen jetzt so und übertreib ein bisschen... und wir bitten Sie, jetzt noch Folgendes zu machen. Stattdessen kriege ich Schreiben, "nach Paragraph 18, haben Sie morgen und so weiter... Und wenn nicht, dann Strafe, und wir weisen darauf hin." Da fühl ich mich jedes Mal, wer bin ich denn eigentlich? ... Als Vermögender habe ich immer das Gefühl, dass man mir sagt, ich muss mich entschuldigen. Warum behandelt man mich nicht freundlich und sagt mir einmal Dankeschön? Da würde ich schon ganz anders reagieren."

"I would absolutely tax really low incomes, so 20,000 or 30,000, significantly lower. But I don't think it's necessary to tax higher incomes significantly more. Now where it becomes quite critical, and what I really have never thought about, is wealth and how to think about large wealth. I have to admit, among the wealthy people that I have been fortunate or privileged to meet, or even by coincidence – due to my position – I have met very few who invest in yachts. Honestly. This Abramovich and people like him, yes, there are maybe one or two in our country. But what I see, the companies and entrepreneurs I know, in whatever form, those are socially committed, are involved in society, are involved in the company. That's where I would say I wouldn't want to make it harder for them [through taxes]." (ITV #2)⁴⁵⁰

Actor #14 takes exactly the same line: taxes on low incomes should be lowered, but there is no need for increases elsewhere. One actor explains his stance on taxes by saying that the state is like a never-ending caterpillar (my figurative language). In his opinion, it never seems to be enough:

"No matter how much tax the state gets, it always manages to spend it and then always needs more. If I simply look at the absolute tax development over the last ten years, it has been breathtakingly positive, and yet nothing has been left over. And the reserve for long-term care insurance that we formed has already been used again. They say it's impossible to save, and it's impossible to have too much revenue. ... To be honest, in the current coalition negotiations ... You allow me to comment, even though you are Green. I'm so glad that the red-red-green coalition didn't come about, because then all hell would break loose. Thank God, the liberals are still with us, otherwise all hell would break loose, and still, in five years, you would realize, inequality is too high, and that we need more taxes." (ITV #3)⁴⁵¹

No taxes would not be a solution either. For one thing, it's the price you pay as part of a society, as actor #2 makes clear: "We've seen a lot abroad. Yes, we could live in Brazil, in a gated community and be significantly wealthier, but with what quality of life?" (ITV #2) The price of this quality of life is also measured in taxes. On the other hand, and related to this, the state has its basic tasks to

⁴⁵⁰ "Ich würde wirklich absolut geringe Einkommen, so 20.000 oder 30.000, geringere Einkommen sind, die wirklich deutlich geringer besteuern. Aber ich glaube nicht, dass es notwendig ist, höhere Einkommen deutlich stärker zu besteuern. Wo es jetzt ganz kritisch wird, und womit ich wirklich nie viel beschäftigt habe, ist Vermögen und welche Großvermögen und ich muss sagen, je mehr ich das Glück hatte oder Privileg hatte, oder auch dann einfach den Zufall, sehr vermögende Menschen kennenzulernen, aufgrund meiner Position, habe ich sehr wenige kennengelernt, die in Yachten investieren. Muss ich ganz ehrlich sagen, dieser Abramowitsch und sowas, ja, gibt es bei uns vielleicht auch den einen oder anderen. Aber wenn ich sehe, dass die Unternehmen und Unternehmerinnen, die ich kenne, in welcher Form, die sozial engagiert sind, gesellschaftlich engagiert sind, im Unternehmen engagiert sind. Da würde ich sagen, ich würde es ihnen nicht [durch Steuern] schwerer machen wollen."

⁴⁵¹ "Egal wie viel Steuern der Staat kriegt, er schafft es immer, die auszugeben, und braucht dann immer noch mehr. Wenn ich einfach die absolute Steuerentwicklung der letzten zehn Jahre anschau, das ist ja atemberaubend positiv gelaufen, und trotzdem ist nichts davon übriggeblieben. Und die Rücklage für die Pflegeversicherung, die wir gebildet haben, die ist auch schon wieder verwendet worden. Weil es heißt, es ist unmöglich zu sparen, und es ist unmöglich, zu viel einzunehmen. ... Ehrlich gesagt, in der momentanen Koalitionsverhandlung... Sie gestatten mir den Kommentar, obwohl Sie Grüne sind. Ich bin ja so heilfroh, dass Rot-Rot-Grün nicht gekommen ist, denn dann wären alle Dämme gebrochen. An der Stelle, Gott sei Dank, sind die Liberalen noch dabei, ansonsten würden alle Dämme reißen, und trotzdem würde man in fünf Jahren feststellen, die Ungleichheit ist zu hoch, und wir brauchen mehr Steuern."

fulfill and needs tax revenues for this, especially in the area of education and the social safety net (ITV #6). However, the state does not have to intervene in many, let alone all, areas by means of taxes; many things can also be organized and financed at the private level. Consequently, this group believes that tax revenues should be as low as possible and as high as necessary:

"[T]he state must provide the basic security, and all those involved who can afford it should also contribute their share, ideally according to the principle of subsidiarity, so that in each case people who see necessities in their environment can also act. I can see a lot in my direct environment, with the employees, etc., I understand something of that at the point." (ITV #6)⁴⁵²

One aspect in particular is a thorn in the side of the players, and not only in the group of those who are basically in favor of lower taxes. We will come to this in the following with the wealth tax, but it should be said at this point: multiple taxation is perceived as unfair and would lead wealthy people to think about optimization.

"I have an insanely hard time with the idea of everything being taxed two, three times. ... Multiple taxation is the issue that drives me crazy. Double taxation is... Well, I see that with my children, and then paying inheritance tax, and then that again, and that again. ...Then those who really might have the opportunity to make a fortune consider optimizing that." (ITV #2)⁴⁵³

The actor would have less difficulty with a one-time levy – especially in times of corona crisis and war – and, in his estimation, neither would other wealthy people. "What puts them off is a new tax or a new increase" (ITV #2).⁴⁵⁴

In the open discussions, I talked many times about the three functions of taxes: generating government revenue, directing behavior (e.g., with the tobacco tax), and reducing inequality (in the sense of making taxes progressive). What I learned at university, however, did not always correspond to the attitudes of all actors. I found that particularly exciting:

Linartas: "Taxes in general not only serve to yield revenue or finance at all the budget, but also reduce inequality, theoretically."

⁴⁵² "[D]er Staat muss die Grundsicherung darstellen, und alle Beteiligten, die es sich erlauben können, sollten eben auch das Ihrige beitragen, idealerweise so gewissen Subsidiaritätsprinzip, jeweils auch, wo die Leute etwas in ihrem Umkreis auch sehen und auch handeln können. Ich kann viel sehen in meinem direkten Umfeld, bei den Mitarbeitern, etc., davon verstehe ich etwas an der Stelle."

⁴⁵³ "Ich tu mich wahnsinnig schwer mit der Idee, dass alles zwei, drei Mal besteuert wird. ... Mehrfachbesteuerung ist das Thema, das mich verrückt macht. Aber die Doppelbesteuerung ist ... Also ich sehe das ja auch bei meinen Kindern, und dann Erbschaftsteuer, und dann das noch mal, und das nochmal. ... Dann überlegen die, die wirklich vielleicht die Möglichkeit haben, ein Vermögen zu erwirtschaften, das zu optimieren."

⁴⁵⁴ "Ich glaube, das würde auch Vermögende nicht abschrecken. Was sie abschreckt, ist eine neue Steuer oder eine neue Erhöhung."

ITV #3: "I wouldn't agree. Taxes serve to fund the government. I know that taxes also serve all sorts of other purposes. That leads to problems on a regular basis from my perspective."⁴⁵⁵

Also important in this group of actors is that they would not intervene directly in taxes and transfers (as to change income after taxes and transfers), but in advance on the market income – if the goal was to reduce inequality at all. Taxes themselves would have comparatively little effect⁴⁵⁶ on inequality. It would therefore be more important to establish education on the subject of money and financial investments; there would be enormous deficits here, which would mean that wealth creation could not take place to the extent that it would be possible:

"We don't talk about investing money at all, it is a totally ignored topic in Germany, although it's totally important. Or: How do I make a retirement plan, how does that work? Financial education does not take place at school, and I think that is very, very important. I don't have to compensate through taxes, because taxes have little effect, but with income and asset formation, there you have to create chances... You have to support asset formation, this is where you should begin. Can I afford a condominium? Or can I participate in a cooperative ownership? If I'm paying rent all the time, then I've ended up making someone else rich." (ITV #14)⁴⁵⁷

In general, according to the actors of the tax-skeptic group, Germany has relatively high taxes anyway.

"It's not as if we are a low-tax country. We all pay a fair amount of taxes here, and income tax is already high. It also rises with increasing income. That means that someone who earns more pays more taxes in the first place anyway, pays twice as much tax due to the higher tax rate. I can't say that this system is unfair." (ITV #14)⁴⁵⁸

⁴⁵⁵ Linartas: "Steuern sind ja allgemein nicht nur dafür da, um auch das Finanzwesen oder Finanzen überhaupt reinzubringen in den Haushalt, sondern eben auch um Ungleichheit zu verringern, theoretisch."

ITV #3: "Würde ich nicht teilen. Steuern dienen der Finanzierung des Staates. Ich weiß, dass die Steuern auch allen möglichen anderen Zwecken dienen. Das führt aus meiner Sicht regelmäßig zu Problemen."

⁴⁵⁶ FACT CHECK: Recent research suggests that taxes may also have a direct effect on incomes, for example because the incentive to negotiate for higher incomes increases when taxes decrease, see e.g. Buggeln 2022, 921.

⁴⁵⁷ "Wir reden überhaupt nicht über Geldanlage, ist in Deutschland ein totales Ignoranz-Thema, obwohl es ein total wichtiges Thema ist; oder: Wie mache ich eine Altersversorgung, wie geht das? Finanzielle Bildung in der Schule findet nicht statt, und das ist, glaube ich, ganz, ganz wichtig. Ich muss über Steuern gar nicht erst was ausgleichen, denn Steuern sind am Ende relativ wenig, sondern bei Einkommen und Vermögensbildung, da müssen die Chance her... Man muss Vermögensbildung unterstützen, das geht damit los. Kann ich mir eine Eigentumswohnung leisten? Oder irgendwie einem Genossenschaftlichen mich beteiligen? Wenn ich die ganze Zeit Miete zahle, dann habe ich am Ende jemand anders reich gemacht."

⁴⁵⁸ "...ist ja nicht so, dass wir ein Niedrigsteuerland sind. Wir zahlen ja schon alle hier ordentlich Steuern, und auch die Einkommensteuer ist ja schon hoch. Und die steigt auch mit zunehmendem Einkommen. Das heißt, jemand, der mehr verdient, zahlt sowieso erst mal mehr Steuern, zahlt durch den höheren Steuersatz zweimal mehr Steuern. Ich kann nicht sagen, dass das als System ungerecht ist."

Another important aspect of why taxes should not be increased is strongly related to attitudes toward the state. From those actors who wanted taxes low or lower, I openly and often heard that the state is inefficient and bureaucratic. Thus, the question arises:

"Is the government then the best user of that money? I mean, collecting taxes is one thing. But is the state using our tax money wisely? Well. So that's the next question then. Is it most efficient if the state does it, or wouldn't other mechanisms, from social engagement for instance, maybe be better? ... Well, as I said, I'm also very critical of granting so much to the state, because the state is simply mega inefficient. That's just the way it is. You can observe that." (ITV #14)⁴⁵⁹

As a logical consequence, these actors would

"...massively cut back on the state. ... so that we simply say the other way around, the state does certain core tasks, they cost something, taxes are needed for that, and the rest is organized by the private sector." (ITV #14)⁴⁶⁰

Too high taxes and too big a state in terms of the welfare state would also have a negative impact on citizens' morale and attitudes. Taxes would make citizens lazy:

"I mean, the moment the state takes everything away from the citizens this would create a lack of initiative. Society is simply more efficient when everyone makes an effort. There's also the question of what works best in the group in the end. The more the state does, the more it becomes incapacitated and redistributed, and then there is also a lack of individual drive. You mustn't forget that. I personally... would make the state significantly smaller, would organize much more in the private sector, then you also know what costs what, whether someone calculated [projects] reasonably. All this redistribution is so intransparent, and that means there will always be avoidance. I would do it much more directly." (ITV #14)⁴⁶¹

⁴⁵⁹ "Ist der Staat dann derjenige, der das dann am besten verwendet, das Geld? Ich meine, Steuern erheben ist das eine. Aber geht der Staat denn sinnvoll mit unserem Steuergeld um? Na ja. Also das ist dann die nächste Frage. Also ist das überhaupt am effizientesten, wenn der Staat es macht oder wüsste man nicht andere Mechanismen, aus dem gesellschaftlichen Engagement oder so... Dann vielleicht auch noch erwägen? Also das, wie gesagt, ich bin auch sehr kritisch, da dem Staat so viel zuzugestehen, weil der Staat einfach mega uneffizient ist. Das ist einfach so. Kann man ja beobachten."

⁴⁶⁰ "...den Staat massiv zurückfahren. ... also dass wir einfach andersrum sagen, der Staat macht bestimmte Kernaufgaben, die kosten was, dafür braucht es Steuern, und der Rest wird privatwirtschaftlich organisiert."

⁴⁶¹ "Ich meine, in dem Moment, wo der Staat den Bürgern alles abnimmt, fehlt ja auch jegliche Eigeninitiative. Aber die Gesellschaft ist ja auch dann einfach effizienter, wenn alle sich anstrengen. Das ist ja dann auch die Frage, was funktioniert am Ende in der Gruppe am besten. Je mehr der Staat macht, umso mehr wird ja auch entmündigt und umverteilt, und dann fehlt ja irgendwo auch so ein bisschen der individuelle Antrieb. Das darf man auch nicht vergessen. Also ich persönlich... würde den Staat deutlich schmaler machen, würde viel mehr auch privatwirtschaftlich organisieren, dann weiß man auch mal, was was kostet. Ob das auch wer vernünftig durchrechnet. Diese ganze Umverteilung, die ist halt auch so intransparent, und dadurch wird es immer auch Vermeidung geben. Ich würde das viel direkter machen."

Another interviewee absolutely agrees. Taxes should be as low as possible so that more ends up in the economic cycle and can be used directly:

"When someone has more money than he uses, he invests it. And this money doesn't just lie around, but does something. And most of the time, growth comes from capital. In general, some kind of investment is created from capital, and this investment leads to investments for tomorrow, in expansion, growth, employment. I would say, nope, not taxes; but making sure that the money is added to the economy." (ITV #18)⁴⁶²

Wealthy and top earners would also have the opportunity to evade taxes and would do so. It is often stated that increases in taxes stem from envy. As long as people are envious on the one hand, and on the other hand rich people perceive high taxation as unfair, taxes would not be able to solve the problem of inequality and morality in society. One actor is very clear in his attitude in this regard and described in detail where he sees the problem:

"I don't think there will be measures that will effectively lead toward redistribution ultimately. Then you would have to go out of this whole global world circus. ... this is more an issue where you basically have to make it clear to people that this ultimately leads to an enormous society of envy and that this does not serve anyone, but it's a matter of sensibly maintaining a sense of proportion. ... You can, of course, go into wealth tax. Then there will be many people who are clever and shift their assets in such a way that the state doesn't notice it in the end. Of course, you can tax income more heavily, which is probably going to happen anyway, because somebody has to finance the consequences of the pandemic. I think that's okay, if it's earmarked, then I'm happy to pay 5 or 10 percent more tax. That is absolutely fine. But you can't get at the issue in principle... We have to start at the root cause. The cause is the thinking, the thinking of the people and less on the system side. That's where they can't get a handle on this issue. But it's not going to work at the end of the day. We've been through all of that... and [we need to] get away from the fairy tale that making things transparent is a good thing. I'll give you an example, from empirical behavioral research. You have a group, what do I know, of five people, all driving a ... ten-year-old Beetle or whatever, in the past it would have been Beetle, now it's Golf. And now all five people are highly satisfied with the situation. Now it's obvious that a neighbor has bought a new car, and already Erna says to Willi, don't you think we need a new car too?" (ITV #10)⁴⁶³

⁴⁶² "Wenn jemand mehr Geld hat, als er selber verbraucht, dann legt er das Geld an. Und dieses Geld liegt nicht rum, sondern das tut dann irgendwas. Und meistens entsteht ja aus Kapital Wachstum. Im Allgemeinen entsteht aus Kapital irgendwelches Investment, und dieses Investment führt zu Investitionen nach Morgen, in Vergrößerung, Wachstum, Beschäftigung. Also ich würde sagen, nee, nicht Steuern; sondern dafür sorgen, dass das Geld der Wirtschaft zugeführt wird."

⁴⁶³ "Ich glaube nicht, dass es Maßnahmen geben wird, die effektiv tatsächlich hin zu einer Umverteilung letztendlich führen. Dann müssten sie aus diesem gesamten globalen Weltzirkus heraus gehen. ... das ist eher ein Thema, wo man im Grunde genommen den Leuten klar machen muss, dass das letztendlich zu einer enormen Neidgesellschaft führt und damit niemanden gedient ist, sondern es geht darum, Maß und Mitte vernünftig einzuhalten. ... Sie können natürlich in Vermögensteuer reingehen. Dann wird es viele Leute geben, die clever sind und ihr Vermögen so umschichten, dass es der Staat eben letztendlich nicht mitbekommt. Sie können natürlich das Einkommen höher besteuern, was

According to Actor #10, the solution does not lie in a better or fairer tax system, "I believe that the solution lies in people's minds, in people's values" (ITV #10). From his background, he said he could explain how some deal with taxes or tax evasion after retirement. The actor reported about a colleague:

"...they [have] paid no taxes after retirement. However, they are also nomads who only live somewhere for half a year at a time and then move on. And one colleague, really, he is permanently on the run from taxes. For the last 15 years, he has only been able to live anywhere for half a year or nine months, then he moved on again. He didn't have to pay taxes. But that is not a life. For me, that would not be a life. But again, if you don't start with the heads, you're not going to succeed there with a tax system at the end of the day."

(ITV #10)⁴⁶⁴

Taxes primarily as a means to an end (especially education)

A second group, somewhat smaller than the tax skeptics, believes that taxes alone would not help to reduce inequality, but are certainly necessary (ITV #12, 14, 15). While the first group rejected taxes as an instrument for reducing inequality, the actors in this group believe that taxes should certainly be used for this purpose.

Linartas: "So that means, just to be very clear for me, taxes are not an instrument for you to reduce inequality?"

ITV #14: "In a way they are, but not the essential tool; for me not the essential. I think it's more participation, opportunities ... permeability, education."⁴⁶⁵

Actors in this group emphasized the importance in interaction with other factors, mostly education policy. Asked whether taxes or education are needed to reduce inequality, for example, actor #12 said:

wahrscheinlich eh kommen wird, irgendjemand muss ja die Pandemiefolgen finanzieren. Ich sag mal, das halte ich auch für in Ordnung, wenn es zweckgebunden ist, dann bin ich gerne bereit, dann auch 5 oder 10 Prozent mehr Steuern zu zahlen. Das ist absolut in Ordnung. Aber Sie kommen an das Thema nicht prinzipiell ran... Wir müssen an der Ursache ansetzen. Die Ursache ist das Denken, das Denken der Menschen und weniger auf der Systemseite. Da kriegen sie dieses Thema nicht in den Griff. Aber es wird am Ende des Tages nicht funktionieren. Das hatten wir alles schon... und [wir müssen] von der Mär wegkommen, dass es gut ist, Dinge transparent zu machen. Ich gebe Ihnen ein Beispiel, aus der empirischen Verhaltensforschung. Sie haben eine Gruppe, was weiß ich, von fünf Leuten, alle fahren einen ... zehn Jahre alten Käfer oder sonst was, früher wäre es Käfer gewesen, heute Golf. Und jetzt sind alle fünf Leute hochzufrieden mit der Situation. Jetzt ist offensichtlich, dass ein Nachbar sich ein neues Auto gekauft hat, und schon sagt Erna zu Willi, meinst du nicht auch wir brauchen ein neues Auto?"

⁴⁶⁴ "...die [haben] nach der Pensionierung keine Steuern gezahlt. Das sind allerdings auch Nomaden, die immer nur ein halbes Jahr irgendwo leben und dann weiterziehen, und ein Kollege, wirklich, der ist permanent auf der Flucht von der Steuer. Die letzten 15 Jahre hat er es überall nur ein halbes Jahr oder neun Monate ausgehalten, dann ist er wieder weitergezogen. Steuern zahlen musste er nicht. Das ist aber kein Leben. Für mich wäre das kein Leben. Aber nochmal, wenn Sie nicht gleich bei den Köpfen ansetzen, werden Sie da mit einem Steuersystem am Ende des Tages kein Erfolg haben."

⁴⁶⁵ Linartas: "Das heißt also, nur um das mal für mich ganz klar zu haben, Steuern sind für Sie keinerlei Instrument, um Ungleichheit zu verringern?"

ITV #14: "Ja, in gewisser Weise schon, aber nicht das Wesentliche; für mich nicht das Wesentliche. Also ich glaube, es ist mehr Teilhabe, Chancen ... Durchlässigkeit, Bildung."

"Both [taxes and education] are mandatory. It's imperative to have both. What falls short is to simply believe that you can avoid economic inequality through redistribution. What I'm very much influenced by is ... you probably know this theory of John Rawls, his theory of justice, the invisible curtain, and when I stand behind the curtain, and I don't know what kind of life I actually get: How did I actually want a society to be set up? That very much ties into the educational opportunities. I would always expect that no matter your starting point, you have an equal participation in education. But I would also expect that if, for example, I earn assets myself, that the assets cannot simply be taken away from me again. That is my order of priority. That's why I'm giving you a both/and, but above all because there are no silver bullets. And it's also, I think, misguided to say in response, it is possible through redistribution; it doesn't work. Inequality goes deeper." (ITV #12)⁴⁶⁶

According to actor #15, it should also be borne in mind that the necessary educational opportunities would cost a lot. Accordingly, one must then

"... at some point ask the question when we do what we just discussed, how do we get the disadvantaged back on equal footing? That costs money, it has to come from somewhere. I would just consider it from the point of view of: where am I most likely to get the money to fund this?" (ITV #15)⁴⁶⁷

In and of itself, actor #15 has no problem with too much wealth in the hands of a few: "If the money were extra, then let them sit on it. I wouldn't care about that. That's not a goal in itself for me" (ITV #15), but one would now have to get the resources.

"If you go through the concepts, [you can] approach tax through three ways. You can approach it through the income tax, you can approach it through a wealth tax, or you can approach it through an inheritance tax." (ITV #15)⁴⁶⁸

In this context, it is important for him to understand taxes as "a means only to an end" (ITV #15). To me, "abolishing inequality or getting maximum equality is not an end in itself. [Taxes are] just a financing tool for other things that make sense" (ITV #15).

⁴⁶⁶ "Zwingend beides [Steuern und Bildung]. Es muss zwingend beides. Was zu kurz greift, ist, einfach zu glauben, man kann durch Umverteilung wirtschaftliche Ungleichheit vermeiden. Also was mich da sehr prägt, ist ... kennen Sie wahrscheinlich, diese Theorie von John Rawls, also eine Gerechtigkeitstheorie, der unsichtbare Vorhang, und wenn ich hinterm Vorhang stehe, und ich weiß nicht, was für ein Leben ich eigentlich bekomme: Wie wollte ich eigentlich, dass eine Gesellschaft aufgestellt ist? Das greift sehr stark an Bildungschancen an. Ich würde immer erwarten, dass, egal mit welchem Startpunkt man kommt, man eine gleichberechtigte Teilhabe an Bildung hat. Ich würde aber auch erwarten, dass, wenn ich zum Beispiel Vermögen mir selber erarbeite, dass mir das Vermögen nicht wieder einfach weggenommen werden kann. Das ist so meine Rangfolge. Deswegen kriegen Sie jetzt von mir ein sowohl als auch, aber vor allem auch, weil es nicht so die Silver Bullets gibt. Und es ist auch, glaube ich, fehlgeleitet, als Antwort zu sagen, es geht über Umverteilung; es funktioniert nicht. Die Ungleichheit geht tiefer."

⁴⁶⁷ "... irgendwann die Frage stellen, wenn wir das, was wir gerade diskutiert haben, nämlich wie kriegen wir die Benachteiligten wieder auf die gleichen Chancen: Das kostet ja Geld, da muss ja irgendwo herkommen. Das heißt, ich würde es nur unter dem Gesichtspunkt angucken, wo kriege ich denn am ehesten das Geld her, um das zu finanzieren?"

⁴⁶⁸ "Wenn man durch die Konzepte durchgeht, [kann] man bei der Steuer über drei Sachen ansetzen. Man kann über die Einkommensteuer ansetzen, man kann über eine Vermögensteuer ansetzen oder eine Erbschaftsteuer."

Taxes should fairly tax and control or redistribute

A third group within the German business elite interviewed emphasized injustices in the existing system that need to be addressed (ITV #2, 4, 7, 10, 12, 8, 11, 13). In this context, many see taxes as an important tool for reducing inequality and as more than a means to an end. Taxes need to be made fairer and, in the view of some, higher. As one actor puts it, the exceptions in the tax system are "difficult."

"These are issues that I would address systematically. They are also perceived as unfair. It's like Swiss cheese, it undermines and hollows out, and it also wears down a society when you see, 'Why does he have so much and does not have to pay taxes for it?'" (ITV #2)⁴⁶⁹

Many actors in this group have no understanding for income being taxed more heavily than capital gains, for example (ITV #2, 8, 10, 11, 13). This provokes the effect that wealth increases even faster (ITV #10); the growing wealth inequality is directly related to the low "taxation of large wealth units"; Actor #13 describes this way of organizing taxes as "deficits" in the German tax system (ITV #13).

"The assets multiply themselves, that's how it always is. Yes, well, that's why I pay capital gains tax. Is the 25 percent capital gains tax justified, or should it be included in the income tax rate? That's where I would still have some sympathy to say, yes, let's bring that tax into the income tax rate." (ITV #10)⁴⁷⁰

An "income-based tax system" would tax "capital contributions relatively more favorably," which in turn reduces the opportunities for working people to accumulate wealth:

"A society that is much more focused on the approach of capital has a problem because I'm unilaterally taxing factor labor and so of course I have less chances to generate wealth through income and it's easier to generate income through wealth." (ITV #12)⁴⁷¹

In addition, it was frequently stated that income tax should be made more progressive. Most would have no problem with higher marginal tax rates for very high incomes:

⁴⁶⁹ "Das sind Dinge, die ich systematisch angehen würde. Die werden auch als ungerecht empfunden. Das ist dann wie so ein Schweizer Käse, das unterhöhlt und höhlt dann auch aus und macht auch eine Gesellschaft mürbe, wenn man da sieht, "wieso, der hat so viel, und dafür muss er gar nicht" [Steuern zahlen]."

⁴⁷⁰ "Das Vermögen vermehrt sich selber, so ist das immer. Ja gut, dafür zahle ich Kapitalertragsteuer. Ist die Kapitalertragssteuer mit 25 Prozent gerechtfertigt, oder sollte man die in den Steuersatz der der Einkommenssteuer reinbringen? Da hätte ich noch eine gewisse Sympathie, um zu sagen, ja, lass doch den Steuersatz in den Einkommensteuersatz einbringen."

⁴⁷¹ "Eine Gesellschaft, die sehr viel stärker auf den Ansatz von Kapital ausgerichtet ist, hat damit ein Problem, weil ich einseitig Faktor Arbeit besteuere und ich damit natürlich weniger Chance haben, durch Einkommen Vermögen zu generieren, und es einfacher ist, aus Vermögen heraus Einkommen zu generieren."

"We would have to make taxes on income steeper. I think we should extend the tax rates. And where the middle class is, the 60-100,000 [euros], where the first progressions start, you have to make them flatter, because today, if they live in the urban center, they can no longer afford living there. We don't need a linear progression, but a hyperbolic one. I also think it would be absolutely okay to raise the top tax rate. That's absolutely okay, with a hyperbolic progression that's very flat for a long time and then it goes up." (ITV #4)⁴⁷²

Higher taxation of high incomes and/or wealth is often directly linked by these actors to the possibility that redistribution could take place and more money could be spent on education. One could take from the top, invest via the state and would create more equal starting conditions:

"Taxes are one aspect, because this way you can naturally siphon off from large fortunes with the idea that... if they attach the idea of merit to the individual and not to family or generational succession, so to speak, then that is the logical consequence, and then one would say: Basically, ideally, everyone has the same starting conditions. Okay, that's not quite how it happens. I can increase opportunities by taking a part of these fortunes and make those available to the state as income, and the state can then, for example, create better educational opportunities for all, subsidies and so on, in order to give everyone the same, as equal as possible, starting conditions. That's slightly utopian, but it is a relatively straightforward, obvious idea." (ITV #7)⁴⁷³

When asked where Actor #8 was most likely to see an opportunity to force a reversal of the trend in growing inequality, he responded:

"Especially in income taxes and here the progression of income taxes. That is direct economic merit, which also achieves direct success. In contrast, consumption taxes, for example, should be discussed critically, because consumption taxes in particular promote redistribution from the bottom to the top. ... I would significantly increase income taxes, especially the top tax rate ... We've been at 53 percent in Germany before and that's absolutely fine, it can be more, it can be 60." (ITV #8)⁴⁷⁴

⁴⁷² "Die Steuern von Einkommen müssten wir steiler stellen. Ich glaube, man sollte die Steuersätze ausweiten. Und da, wo der Mittelstand ist, die 60-100.000, wo schon die ersten Progressionen da sind, die muss man flacher stellen, weil heute, wenn sie im urbanen Zentrum wohnen, sie da nicht mehr leben können mit. Wir brauchen keine lineare Progression, sondern eine hyperbolische. Ich fände es auch absolut o. k., wenn man den Spitzensteuersatz anhebt. Das ist absolut o. k. Also mit einer hyperbolischen Progression, die lange Zeit sehr flach ist und dann geht's zu Sache."

⁴⁷³ "Steuern ist ein Aspekt, weil sie auf die Weise natürlich mal von großen Vermögen etwas abschöpfen können mit dem Gedanken, wenn sie den Leistungsgedanken an das Individuum hängen und nicht an sozusagen Familien- oder Generationenfolgen, dann ist das die logische Folge, und da würde man sagen: Im Grunde idealiter, hat jeder die gleichen Startvoraussetzungen. Okay, so findet das nicht ganz statt. Aber ich kann natürlich diese Chancen vergrößern, indem ich dann den Teil dieser Vermögen nehme, das dem Staat als Einkommen zur Verfügung stelle, und der dann beispielsweise bessere Bildungsangebote für alle Förderungen and so on schaffen kann, um allen gleiche, möglichst gleiche Startbedingungen zu ermöglichen. Das ist ja mal zwar leicht utopistisch, aber das ist ein relativ gradliniger, naheliegender Gedanke."

⁴⁷⁴ "Insbesondere bei Einkommensteuern und hier der Progression von Einkommenssteuern. Das ist direkte Wirtschaftsleistung, die auch unmittelbar bei Erfolg erzielt. Demgegenüber sind zum Beispiel Verbrauchssteuern kritisch zu diskutieren, weil Verbrauchsteuern insbesondere die Umverteilung von unten nach oben fördern. ... ich würde die

Taxes should control and also redistribute – not only as a means to an end, but by means of a different distribution of burdens. The state is denied the competence to achieve less inequality through more taxes. But if lower incomes were taxed less and higher incomes more, the gap could become smaller. I would like to present the conversation about the German tax system in terms of inequality, impact, and effect of individual tax types and actors in a longer section below. This is just one of many examples to show how difficult it is to classify actors' attitudes into groups and how complex and at the same time revealing the conversations have been in detail:

ITV #8: "The subject of progression. Against this background, it is also important to me that something is done at the bottom. At what point do I have a tax-free income? Today it's just under 19,000 euros, a little above that, I think, and the big question is, can't it be 25,000 euros, for example, or 30,000 euros? Because it is already the case today that the richest one percent of the German population pays 50 percent of the tax burden, if I have it right in my head. Against this backdrop, I believe that a great deal more can be done and, on the other hand, significant relief can also be provided for lower incomes, which actually benefits lower incomes to a disproportionately large extent. Here, for example, I can invest in education, I can, for example, and without state support..."

Linartas: "So, that's an important aspect for you? You wouldn't want the state to necessarily get more taxes overall which the state could then spend linked to education, for example?"

ITV #8: "Could do. Yes, but as you see as of today, at least according to my reading, we manage an incredible amount of money, with a relatively large administrative burden, and yet the allocation is increasingly perceived as unfair. In other words, we have an enormous number of people and an increasing number of people in this country, and I don't mean that in a bad way, but they have to be supported because the available income is not sufficient and because the available income that you get when you start working is not sufficient at all. But I'm not even talking about urban centers. So why don't I make it possible to have a base that is actually completely tax-free? After all, these people also pay an insane amount of taxes, for example through consumption taxes, etcetera. So I'm wondering, why don't I actually make the spendable income larger here just by significantly reducing taxes? And for me, honestly, it doesn't matter at all, I would also like to pay more and also like to give more, if I know that in exchange, others immediately have more. And not a state that supposedly guides and better distributes funds believes that it must hold up his hands there and then still with more or less meaningful administrative measures steers whether the achievements of the recipient are right. There are always networks, there are always safety nets. That's perfectly fine, too. But what we currently have in Germany – that millions of people have to be alimented every month because their net is no longer sufficient – that is an absolute aberration. ...

Einkommensteuern, gerade den Spitzensteuersatz, deutlich erhöhen... Wir waren schonmal bei 53 Prozent in Deutschland und das ist absolut in Ordnung, das können auch durchaus mehr, können auch 60 sein."

Take the topic of investment income. Why, for example, is capital income taxed differently than other types of income? It can't be explained. And that brings me right back to the topic. I still believe that fairer taxation of any type of income is simply the key. That would only burden businesses in that the actual profits generated would be taxed and not the business assets or the value assessment, which then just raises other questionable issues. And above all, what we have here are very, very many options for directly reducing the tax burden, especially on middle incomes, but especially on lower incomes, which would also have a positive effect. That is, even if the tax rate in total of the state does not increase, which is also quite desirable, so that the state does not become too fat, one could really, I think, intervene much better at this point."⁴⁷⁵

The actors in this group would unanimously pay higher income taxes, but the camps split again on the issue of wealth taxation. While Actor #8, for example, does not see this as a good approach to a solution, Actors #11 and #13 would start precisely here – but only with regard to inheritance tax. Before we turn to this, however, we look at the narratives of the German business elite on another tax, namely the wealth tax.

⁴⁷⁵ ITV #8: "Thema Progression. Und vor dem Hintergrund ist mir auch wichtig, dass man eben unten was macht. Also ab welchem Zeitpunkt habe ich ein steuerfreies Einkommen? Heute sind das knapp 19.000 Euro, ein bisschen drüber, glaube ich, und da ist ja die große Frage, kann das nicht bei 25.000 Euro beispielsweise, kann das nicht bei 30.000 Euro liegen? Denn es ist ja heute schon so, dass das reichste ein Prozent der deutschen Bevölkerung, 50 Prozent der Steuerlast aufbringt, wenn ich das richtig im Kopf habe. Vor dem Hintergrund, glaube ich, kann man da noch eine ganze Menge mehr machen und kann auf der anderen Seite aber auch bei den unteren Einkommen signifikant entlasten, was ja tatsächlich den unteren Einkommen überproportional stark zugutekommt. Hier kann ich nämlich dann beispielsweise in Bildung investieren, ich kann beispielsweise, und zwar ohne staatliche Unterstützung..."

Linartas: "Also, das ist ein wichtiger Aspekt für Sie? Sie würden nicht wollen, dass der Staat unbedingt mehr Steuern insgesamt erhält, die er dann beispielsweise gekoppelt an Bildung ausgeben könnte?"

ITV #8: "Könnte er tun. Ja, aber Sie sehen ja heute, zumindest meiner Lesart nach, dass wir unglaublich viel Geld verwalten, mit einem relativ großen Verwaltungsaufwand und die Zuteilung dennoch zunehmend als ungerecht empfunden wird. Das heißt, wir haben unheimlich viele Menschen und zunehmend mehr Menschen in diesem Land, und das meine ich gar nicht böse, aber die alimentiert werden müssen, weil eben das zur Verfügung stehende Einkommen nicht ausreicht und weil auch das zur Verfügung stehende Einkommen, was man beim Antritt einer Arbeit bekommt, vorne und hinten nicht reicht. Aber da rede ich noch nicht mal von Ballungszentren. Also warum ermögliche ich nicht, dass ich einen Sockel habe, der tatsächlich vollständig steuerfrei ist? Auch diese Menschen zahlen ja wahnsinnig viele Steuern, zum Beispiel über Verbrauchssteuern et cetera. Deshalb frage ich mich, warum mache ich hier eigentlich das spendable income nicht einfach durch signifikante Steuerentlastung größer? Und bei mir, ehrlich gesagt, spielt es überhaupt keine Rolle, ich zahle auch gerne mehr und gebe auch gerne mehr, wenn ich dafür aber auch weiß, dass anderen dafür sofort mehr zur Verfügung steht und nicht ein vermeintlich lenkender und besserverteiler Staat glaubt, dass er seine Hände da aufhalten muss und dann noch mit mehr oder weniger sinnvollen Verwaltungsmaßnahmen, diese Berechtigung zum Empfang dieser Leistungen, steuert. Es gibt immer Netze, es gibt immer doppelte Böden. Das ist auch völlig in Ordnung. Was wir zurzeit in Deutschland haben, dass Millionen von Menschen monatlich alimentiert werden müssen, weil ihr Netto nicht mehr ausreicht, das ist eine absolute Fehlentwicklung. ...

Nehmen Sie das Thema Kapitalerträge. Warum werden zum Beispiel Kapitalerträge anders besteuert als andere Einkommensarten? Ist nicht zu erklären. Und damit komme ich wieder genau zum Thema. Ich glaube nach wie vor, dass eine gerechtere Besteuerung von jeglicher Einkommensart einfach der Schlüssel ist. Die würde Betriebe nur dahingehend belasten, dass die tatsächlich erwirtschafteten Gewinne besteuert werden und nicht das Unternehmensvermögen oder die Wertfeststellung, was dann eben wiederum andere fragwürdige Thematiken aufwirft. Und vor allen Dingen, was man hier hat sind sehr, sehr viele Gestaltungsmöglichkeiten, insbesondere mittlere, aber speziell auch untere Einkommen direkt zu entlasten, was ja auch noch der positive Effekt wäre. Das heißt, selbst wenn die Steuerquote in Summe des Staates nicht steigt, was ja auch durchaus wünschenswert ist, damit der Staat nicht zu fett wird, könnte man eben an der Stelle wirklich, finde ich, deutlich besser eingreifen."

5.2.5 Wealth Tax: The Most Unpopular Tax in the Entire Tableau

Of all the types of taxes and theoretical instruments for reducing inequality that I discussed with actors in the German business elite, the wealth tax was by far the most unpopular concept. Let us consider the narratives of the business elite against a wealth tax in turn: Actor #1 emphasized above all that the wealth tax restricts the freedom of the wealthy and is a punishment for efficient people who cannot fully dispose of their earned wealth due to the tax. Actor #1 feels that it is unfair to restrict freedom in this way:

"A person who is efficient and thus also earns a lot and decides not to consume what he has achieved, but rather to save it and not spend it on himself – instead says I give it to other people – that he then has to pay tax on it again or give it away or share it, through his own renunciation of consumption, I have to say: then you actually also take a degree of freedom for a person who says, 'I'm not so selfish that I use it all for myself, but I give it to other people'. And of course, in the extreme case it is the children. But that can go also with donation or however in other directions. There I also have a sense of injustice, because I say: it's already been taxed once, how often does the state actually want to have something from it?" (ITV #1)⁴⁷⁶

In addition, he raises other points: The greed of the state and double taxation, which is another narrative that was mentioned very often. As interviewee #9 put it, he would have a problem with that:

"Frankly, I'm paying taxes now, and logically, not too little, that's perfectly fine, too. Now I'm making assets anyway because I'm in a luxury position and then you can. Would I understand if I was taxed again on the already taxed income I have when I put it away? I would have a mental problem with that." (ITV #9)⁴⁷⁷

Other actors share this view. Interviewee # 8 found very clear words for his attitude to wealth tax in the sense of double taxation. When we came to the topic of wealth inequality and I brought the wealth tax into play, he waved it off very clearly:

⁴⁷⁶ "Ein Mensch, der leistungsfähig ist und damit auch viel erwirtschaftet und sich entschließt, das, was er da geleistet hat, nicht zu verkonsumieren, sondern zu sparen, und nicht für sich selber ausgibt, aber ich sage, ich gebe es anderen Menschen, dass er das dann noch mal versteuern oder abgeben oder teilen muss, durch seinen eigenen Konsumverzicht, muss ich sagen, dann nehmen sie eigentlich auch ein Freiheitsgrad für einen Mensch, der sagt, ich bin gar nicht so egoistisch, dass alles bei mich zu verwenden, sondern ich gebe das anderen Menschen. Und klar, im Extremfall sind es die Kinder. Aber das kann ja auch mit Schenkung oder wie auch immer in andere Richtungen gehen. Da habe ich dann auch ein Ungerechtigkeitsempfinden, weil ich sage: ist ja schon einmal versteuert, wie oft will denn eigentlich der Staat noch was haben davon?"

⁴⁷⁷ "Offengestanden, ich zahle jetzt Steuern und logischerweise nicht zu knapp – das ist auch völlig in Ordnung. Jetzt bilde ich trotzdem Vermögen, weil ich eine Luxusposition bekleide und dann können sie das. Würde ich verstehen, wenn ich das schon versteuerte Einkommen, das ich habe, wenn ich es wegtue, nochmal versteuer? Da hätte ich ein gedankliches Problem mit."

Linartas: "Do you know the [Gini index] for wealth inequality? What do you estimate that to be around?"

ITV #8: "No, I don't. But it is irrelevant. After all, assets have already been taxed several times. That is, if I want to reduce the growth of assets, then I have to go to the income, but not to the already taxed income, which then builds up in the form of assets ... With the wealth tax I would be quite allergic. Why? Because it's double taxation. It's inherent double taxation, I have my assets – at least I do, it's different with inheritances – but I've built mine up through my own income, and then I give an incentive not to save and invest any more, but to take the money right out. Because then it's not taxed twice."⁴⁷⁸

A wealth tax, according to Actor #8, would negatively influence the behavior of the wealthy. Actor #18 agrees, in the sense that fewer investments could be made, which would be bad for society as a whole:

"Wealthy people don't leave their capital lying around, they use their capital as an investment. And then this capital creates something that is good for society. ... So I think that's just a bit inflammatory. So politically it always comes across well. ... if they have sense and reason, then they are doing the right thing with their money. Of course, there are always doofuses who always drive around in their Lamborghini and so on, there are real idiots... But I would describe most of the wealthy people I know as reasonably responsible people... Generally, some kind of investment comes out of capital, and this investment leads to investments for tomorrow, in expansion, growth, employment. So I would say, nope, not taxes; but making sure that money is added to the economy." (ITV #18)⁴⁷⁹

Any form of wealth taxes, according to some interviewees (ITV #4, 5, 12) are dangerous because "that wealth ... also [gets] reinvested, productively" (ITV #5). According to Actor #4, all forms of wealth taxation are quite dangerous,

"because they're taking away wealth from founders, and in some cases they're taking away business wealth... Taking away wealth that's already been taxed, that's really critical,

⁴⁷⁸ Linartas: "Kennen sie den [Gini-Index] für die Vermögensungleichheit? Was schätzen sie wie der ungefähr liegt?"

ITV #8: "Das weiß ich nicht. Ist aber auch irrelevant. Denn Vermögen sind ja schon mehrfach besteuert worden. Das heißt, wenn ich den Zuwachs von Vermögen verringern möchte, dann muss ich halt ans Einkommen ran, aber nicht an das bereits versteuerte Einkommen, was sich dann in Form von Vermögen aufbaut... Bei der Vermögensteuer wäre ich ganz allergisch. Warum? Weil es eine Doppelbesteuerung ist. Das ist eine inhärente Doppelbesteuerung, ich habe ja mein Vermögen – also ich zumindest, bei Erbschaften ist es was anderes – aber ich habe mir meins durch mein eigenes Einkommen aufgebaut, und dann gebe ich ein Incentive, nicht mehr zu sparen und zu investieren, sondern das Geld direkt rauszuhauen. Dann wird es nämlich nicht doppelt besteuert."

⁴⁷⁹ "Die vermögenden Menschen lassen ihr Kapital nicht rumliegen, die setzen ihr Kapital ein als Investition. Und dann schafft dieses Kapital was, was für die Gesellschaft gut ist. ... Also das finde ich einfach ein bisschen hetzerisch. Also politisch kommt es immer gut rüber. ... wenn die Sinn und Verstand haben, dann tun sie mit ihrem Geld schon das Richtige. Es gibt natürlich immer Doofiane, die immer in ihrem Lamborghini rumfahren und so, es gibt wirkliche Depen... Aber die meisten Vermögenden, die ich kenne, würde ich als einigermaßen verantwortungsvolle Menschen bezeichnen... Im Allgemeinen entsteht aus Kapital irgendwelches Investment, und dieses Investment führt zu Investitionen nach Morgen, in Vergrößerung, Wachstum, Beschäftigung. Also ich würde sagen, nee, nicht Steuern; sondern dafür sorgen, dass das Geld der Wirtschaft zugeführt wird."

because in case of doubt, if they don't make enough, they can't then replenish the wealth."
(ITV #4)⁴⁸⁰

Wealth taxes would lead to expropriation; long before this is likely to happen, policymakers should first do their homework:

"Well, property is also an important asset, so before I cross the line into a silent expropriation, I would think twice. In the case of inheritance, however, the situation is different. That's why, in the first step, I would tax capital gains, then inheritance tax. I'm not a big fan of a wealth tax, because I don't believe that you can do it effectively in such a low-interest-rate phase. It's a joke when a politician says afterwards, I'm not prepared to make a bold [savings] policy, but I'm happy to tax wealth. To be honest, I think that's a misunderstanding of the state. So, the state, as an acting person, as an acting agent, has to do its homework first, before I then make such an imbalance and get into such an expropriation discussion." (ITV #12)⁴⁸¹

Based on a study, one stakeholder reported that the wealth tax would not have a large positive effect, but would be very complicated:

"The wealth tax [would] not have large positive effects. That was the main thesis of this study.... Wealth tax is really complicated because you're just as systematically taxing the mechanical engineering on the Swabian Alp as you are taxing the one you're actually trying to reach, which is the retired ... partner who has 30 million euros lying around in Sri Lanka." (ITV #13)⁴⁸²

Actor #14 also referred to a study according to which "collecting them alone costs a lot of money. You just have to see what's good and what's not" (ITV #14).

Another narrative that more frequently found its way into the debate on the wealth tax is the envy debate (ITV #1, 9). One actor talked about this debate being explosive for society and referred to it as the most dangerous issue:

⁴⁸⁰ "weil sie Gründern die Substanz wegnehmen und damit teilweise auch Betriebssubstanz wegnehmen... Substanz wegzunehmen, die schon mal besteuert worden ist, das ist echt kritisch, weil sie im Zweifelsfall dann, wenn sie nicht genug verdienen, die Substanz dann nicht mehr auffüllen können."

⁴⁸¹ "Also, Eigentum ist schon auch ein wichtiges Gut, bevor ich die Grenze überschreite, dass ich in so eine stille Enteignung komme, das würde ich mir dreimal überlegen. Das ist im Erbschaftsfall aber anders gelagert. Deswegen würde ich jetzt im ersten Schritt in der Rangfolge Kapitalerträge besteuern, dann Erbschaftsteuer. Vermögensteuer bin ich kein großer Fan von, weil ich nicht glaube, dass man einfach effektiv jetzt in so einer Niedrigzinsphase – ist ja eine Witz-Platte, wenn eine Politik da nachher sagt, ich bin nicht bereit, beherrscht [Spar?]politik zu machen, aber Vermögen besteuere ich gerne. Das finde ehrlich gesagt ... ein falsches Staatsverständnis. Also, da muss der Staat schon auch als handelnde Person, als handelnder Akteur, erst mal Hausaufgaben machen, bevor ich dann so eine Schieflage mache und in so eine Enteignungsdiskussion komme."

⁴⁸² "Die Vermögensteuer [würde] keine großen positiven Effekte haben. Das war die Hauptthese dieser Studie... Die Vermögensteuer ist wirklich kompliziert, weil du eben den Maschinenbau auf der schwäbischen Alp genauso systematisch steuerst wie den, den du eigentlich erreichen willst, nämlich den retired ...-Partner, der 30 Millionen Euro auf Sri Lanka liegen hat."

"I would like to say that I think this is the most dangerous topic that we have in the political discussion at the moment. ... I believe that it leads to a brutal division of society, and indeed to a division where the individual parts no longer come together. That's why I think it's very dangerous, and I think there are explosives in it that are really difficult." (ITV #1)⁴⁸³

In the view of this business actor, policymakers should instead seek to address the rich directly and engage them "constructively" and "proudly."

"I would actually approach those who are perhaps obscenely wealthy about their social responsibilities to perhaps engage them in a constructively proud way to take on tasks." (ITV #1)⁴⁸⁴

When asked about why Actor #10 believes that wealth is taxed at a lower rate compared to income on average in the OECD, the interviewee surmises that this is historically grown; other countries do not have such a hard time taxing wealth and debates do not boil up as much:

"There are some historical reasons for that, which have led to the fact that we are a bit more difficult on the side of taxing wealth compared to other countries.... In Holland, for example, the issue of wealth tax is much more vehement. And people don't think it's great, but everybody accepts it in some way. There's not much discussion at all. In Germany, we have this issue. Now, of course, it's being discussed intensively again within the party landscape and will certainly determine part of the election campaign. I can't tell you why that is the case. I know that we've discussed it time and time again, but then dropped it again. I think it's easier to operate on the revenue side." (ITV #10)⁴⁸⁵

Progressive capital gains taxes would be accepted by the actor, but a wealth tax on top would lead to evasive behavior by the wealthy:

"Then to say that we need to add something on top of that, so to speak. It's a bit difficult for me to argue that in a sensible way. Unless you say we have to do that to bring inequality down. If that's the argument, I say, people will find ways because they see that as unjustified, people will find ways to escape this tax system. Then again, that is the problem. That's

⁴⁸³ "Ich möchte mal sagen, ich halte das für das gefährlichste Thema, was wir im Moment in der politischen Diskussion haben. ... Ich glaube, dass es zu einer brutalen Spaltung der Gesellschaft führt, und zwar zu einer Spaltung, wo die einzelnen Teile nicht mehr zusammenkommen. Deswegen halt ich es für sehr gefährlich, und ich glaube, dass da Sprengstoff drin steckt, der wirklich schwierig ist."

⁴⁸⁴ "Ich würde diejenigen, die vielleicht obszön reich sind, tatsächlich auch mal ansprechen auf ihre gesellschaftliche Verantwortung um sie vielleicht konstruktiv stolz einzubinden, Aufgaben zu übernehmen."

⁴⁸⁵ "Das hat irgendwelche historischen Ursachen, die dazu geführt haben, dass wir uns auf der Seite der Besteuerung des Vermögens im Vergleich zu anderen Ländern etwas schwerer tun... In Holland beispielsweise ist das Thema der Vermögensteuer viel vehementer vertreten. Und die Leute finden das zwar nicht toll, aber alle akzeptieren das in irgendeiner Art und Weise. Es gibt gar keine große Diskussion. In Deutschland hatten wir das Thema. Jetzt wird es natürlich wieder intensiv diskutiert innerhalb der Parteienlandschaft und wird auch sicherlich ein Teil des Wahlkampfes bestimmen. Warum das der Fall ist, kann ich Ihnen beim besten Willen nicht sagen. Ich kenne die Historie an der Ecke nicht. Ich weiß, dass wir immer wieder eingegangen sind, aber dann wieder rausgegangen sind. Ich glaube, es ist einfacher, auf der Einkommenseite zu agieren."

why I say you have to start with the heads, and you don't have to hope that systemically you're going to solve something that is perceived to be extremely unfair. I think that's where the problem is. That's frustrating for people who make tax laws, who try to... always mess around with something that you can't cure by doing that. There's no such thing as the perfect tax system, and it's not going to get better by adding to it over and over again." (ITV #10)⁴⁸⁶

Overly rich: what do they think of the concept?

Before we turn to the narratives on the inheritance tax, I would like to address another aspect: Toward the end of my interview period, a concept emerged in the social debates based on the Austrian economist Martin Schürz: *Überreichtum* (overly rich). Unfortunately, I was not able to ask all interviewees about it, but I did ask some. I was interested in what they would think of the idea. According to Martin Schürz (2019), in contrast to poverty, there is no limit for wealth: "a scientific definition of wealth and of overly rich [*Überreichtum*] is not yet available" (Schürz 2020, 29).⁴⁸⁷ I was only able to ask three actors about this, so it is not possible to make a solid statement about how actors feel about the concept. Nevertheless, I would like to share the results because they are quite interesting: Of the three interviewees, there was one actor who said it was absolute nonsense; one interviewee who thought the idea made sense right off the bat; and one who pivoted in conversation and reconsidered his negative stance.

One stakeholder found the concept to be impractical nonsense, as the wealthy could dodge any associated measures:

"I think it's nonsense. What kind of debate are you triggering with that? Well, Elon Musk has now become one of the richest people in the world in a very short time. Is he doing meaningful things by pushing electromobility? He probably does. Is he also doing complete nonsense by shooting CO2 emissions into the air because he wants to fly to Mars? Yes, he does that, too. If you tell him that half his wealth is the limit, he'll just think about how to get around. Then he gives away his first part completely to his children, then he

⁴⁸⁶ "Dann jetzt noch zu sagen, nochmal on top, sozusagen drauf nochmal was zu setzen. Da wird es für mich ein bisschen schwierig, das eben auch vernünftig zu argumentieren. Außer man sagt, das müssen wir machen, um die Ungleichheit nach unten zu bringen. Wenn das das Argument ist, sage ich, werden Leute Wege finden, weil sie das als ungerechtfertigt sehen, werden Leute Wege finden, diesem Steuersystem zu entfliehen. Das ist dann wieder das Problem. Deswegen sage ich, man muss bei den Köpfen ansetzen, und man muss nicht hoffen, dass man systemisch etwas löst, was als extrem ungerecht empfunden wird. Ich glaube, da ist das Problem. Das ist frustrierend für Leute, die Steuergesetze machen, die versuchen... immer was rumzudoktern, was man dadurch nicht heilen kann. Es gibt nicht das perfekte Steuersystem, und es wird auch nicht dadurch besser, dass ich noch mal immer wieder was draufsetzen."

⁴⁸⁷ In his book, Schürz does not give a precise definition in the sense of a limit at which wealth would be *Überreichtum*. Since moral values, economic ideologies and private convictions play an important role in such a definition (Schürz 2020, 31), a definition should be made in a societal debate. Schürz reflects on several ideas, that of drawing a limit (following Plato) or instead of determining a wealth threshold, focusing on considerations of the merit of the rich. In any case, however, "wealth, contrary to conventional understanding, is not an antithesis of poverty because its dimension is infinite" (Schürz 2020, 40). *Überreichtum* could therefore be an antithesis of poverty; like poverty, it is problematic because it "violates principles of justice and endangers democracy" (ibid., 7).

would no longer be overly rich. There are a thousand ways around this. It is simply completely impracticable and counterproductive in the incentive system. Then you still have to put the family members in collective liability, then the friends come next, then you have straw men ... it's impracticable nonsense!" (ITV #15)⁴⁸⁸

Another actor, however, Interviewee #18, likes the concept:

"I think the idea of defining an abundance limit for wealth is a valid one. If you did that, then yes, I would come after them with my constraint on philanthropy and say, 'so now overly rich, now I'm looking at what you do with your money.' I want them to use it, and now I'm forcing them a little bit. I'm watching them to see what happens with this hand-me-down. To do that, of course, it would help me if I categorized them. Then I would provide that tax group with extra tax consultants to make sure that the abundant wealth is going into the right channels." (ITV #18)⁴⁸⁹

Interesting was also the conversation with Actor #6, who at the beginning was absolutely against the concept and linked it to an envy debate. When I told him about the conversation with Actor #18 and others, he wondered whether *Überreichtum* as a concept might make sense after all:

ITV #6: "What does it seriously help, except satisfaction of any envy complexes? Does that really then bring anything at the point when I say I'm cutting that off there, so that this money can be used by the state to make the difference at the end? Or is that then the situation where I say, 'now I taught them a lesson'?"

Linartas: (laughs) "I've also done interviews where people found it quite interesting. If you could then talk about it, for example: Okay, at that level, people start to pay more attention and ask, Is this person doing more philanthropy, should we raise another tax rate and so on? So that you can then simply talk about it socially."

ITV #6: "In that case, I think it's actually quite good to say that, yes, wealth is an obligation, which sounds stupid, but it's true... and above-average wealth is an obligation. And if I have a lot of money, then I have to do something for society. Finding a metric for that is certainly not easy. But I think that's much more sympathetic than saying that Mr. XY from the Ministry of Finance is coming and saying, 'Open the lid, that's going into the state coffers and

⁴⁸⁸ "Halte ich für Unsinn. Was lösen Sie denn damit aus, für eine Debatte? Also, Elon Musk ist jetzt innerhalb von kürzester Zeit einer der reichsten Menschen der Welt gewesen. Tut der sinnvolle Sachen, indem er die Elektromobilität puscht? Wahrscheinlich schon. Tut er auch kompletten Unsinn, weil er CO2 Emission in die Luft ballert, weil er zum Mars fliegen will? Ja, macht er auch. Wenn man dem jetzt sagt, bei der Hälfte wer jetzt Feierabend gewesen, der würde doch nur darüber nachdenken, wie er das umgeht. Dann verschenkt er seinen ersten Teil komplett auf seine Kinder, dann wäre er nicht mehr überreich. Da gibt es ja 1000 Umgehungs[möglichkeiten. Es] ist einfach komplett unpraktikabel und im Anreizsystem kontraproduktiv. Dann muss man die Familienmitglieder noch in Kollektivhaftung nehmen, dann kommen die Freunde als nächstes, dann kommen Strohmänner ... das ist unpraktikabler Quatsch!"

⁴⁸⁹ "Ich halte die Idee, eine Überreichtumsgrenze zu definieren für berechtigt. Wenn Sie das täten, dann käme ich ja mit meinem Zwang zur Philanthropie hinterher und würde sagen, 'so, jetzt müssen die Überreichen, jetzt gucke ich hin, was sie mit ihrem Geld machen. Ich möchte, dass sie es einsetzen, und zwingen sie jetzt ein bisschen. Ich gucke ihnen auf die Finger, was mit diesem Überreichtum passiert'. Dazu würde es mir natürlich helfen, wenn ich sie kategorisiert hätte. Dann würde ich diese Steuergruppe extra Steuerberater zur Verfügung stellen, um sicherzustellen, dass der Überreichtum in die richtigen Kanäle geht."

we're going to do things with it'. But rather to say: Okay, now the state is channeling, it has its package of measures, which is politically desired, and it is now my job to get involved. I would do that immediately at any time, because I think it's good."⁴⁹⁰

5.2.6 Inheritance Tax: If a Wealth Tax, Please this One

The narrative analysis of the German business elite on the topics of inequality, the state and its role, on taxes in general, and about the wealth tax in particular, has shown that the group of interviewees is heterogeneous. Along almost all questions there were different attitudes and narratives, and correspondingly also different RON. Especially in the case of the tax system, there were a variety of different preferences and explanations for their respective positions; therefore, I cannot define the actors as a homogenous group. From those who generally understand taxes as a burden to actors who understand taxes as one of the most important instruments to reduce inequality, all positions were represented.

Only in the case of the wealth tax did everyone agree that it was not a suitable instrument for reducing inequality – although the reasons were again widely dispersed. Something similar can be said about the state: overall, it is framed negatively, understood as bulky and bureaucratic, as an ineffective and inefficient actor in the economic sphere. And yet the state has important tasks to perform and, among other things, to ensure that the quality of life remains guaranteed in the sense of a democratic form of society with a good safety net – and that "performance pays" (*"Leistung muss sich lohnen"*).

In my interviews, I started by asking whether the interviewees would follow Thomas Piketty's hypothesis and assessment that Western industrialized nations were developing from meritocracies into inheritance societies. This question served the purpose of invoking different strands of thought and concepts.⁴⁹¹ Many actors would follow Piketty's arguments, a few were critical (ITV #1, 3, 6, 7). Actor #3 was particularly critical and recommended that I discuss this with "colleagues

⁴⁹⁰ ITV #6: "Was gibt das so ernsthaft, außer Befriedigung von irgendwelchen Neidkomplexen? Also bringt das wirklich dann an der Stelle was, wenn ich sage, ich schneide da das ab, ist also das Geld, mit dem ich als Staat dann am Ende den Unterschied machen kann? Oder ist das dann die Situation, wo ich sage, 'na denen habe ich es mal gezeigt'?"

Linartas: (lacht) "Ich habe auch schon Interviews geführt, da fanden die Leute es durchaus interessant. Wenn man dann beispielsweise davon sprechen könnte: Okay, ab dem Wert wird dann eben halt auch mehr darauf geguckt: Wird mehr Philanthropie von dieser Person betrieben, sollte man da noch mal einen anderen Steuersatz anheben und so weiter? Also dass man einfach gesellschaftlich dann auch darüber sprechen kann."

ITV #6: "Das wiederum finde ich eigentlich ganz gut, wenn man sagt, ja, Reichtum verpflichtet, hört sich zwar bescheuert an, ist aber so... und Überreichtum verpflichtet überdurchschnittlich. Und wenn ich viel Geld habe, dann muss ich auch mal verflucht was für die Gesellschaft machen. Da dann eine Metrik dafür zu finden, ist sicherlich nicht einfach. Aber das wiederum finde ich wesentlich sympathischer, als zu sagen, so, jetzt kommt eben Herr XY aus dem Finanzministerium und sagt, Deckel auf, das geht jetzt in die Staatskasse und wir machen damit jetzt Sachen. Sondern zu sagen: Okay, jetzt kanalisiert der Staat, der hat eben sein Maßnahmenpaket, was politisch erwünscht ist, und da ist es jetzt meine Aufgabe, mich zu engagieren. Würde ich sofort jederzeit machen, weil ich das gut finde."

⁴⁹¹ A scientific assessment was not asked for; that would be presumptuous and would not correspond to my research interest.

Füst and Wiegand, and Raphael Hühnchen." He went on to say: "I'm not economist enough there to evaluate that. I know there are very controversial discussions there" (ITV #3). Actor #7 told me about his long conversation with Bert Rürup⁴⁹² about Piketty.

When asked about whether Germany was a meritocracy, many expressed agreement – for the time being: Germany was "on the decline" (ITV #1), as Actor #1 and five other interviewees said (ITV #4, 5, 9, 15, 18). An equal number of interviewees felt that Germany should still be understood as a meritocracy (ITV #2, 10, 11, 12, 13, 17). Actor #3 denied this, "because we are doing far too well" (ITV #3) in the sense that society is becoming lazy.

As the preceding narrative analysis showed, education and achievement are very important to the actors; on the other hand, Germany could develop toward an inheritance society. And while the state has important tasks to perform, wealth taxes should not be levied under any circumstances. What is the position of the economic elite on the inheritance tax in view of growing wealth inequality and in this field of tension between the important tasks for the future, taking into account economic growth (the most frequently mentioned most important goal after the preservation of democracy) and the importance of merit?

Unlike the Mexican business elite, the German actors can explicitly relate their attitudes toward the inheritance tax to the existing inheritance tax. Of the 18 German business elite actors interviewed, eight were against higher inheritance taxes. I assign four actors to the group that is neither pro nor con of a strengthening but are satisfied with the status quo or whose attitudes fluctuate strongly. One-third of all interviewees were in favor of strengthening the inheritance tax. As with the Mexican business elite, very different RON emerge according to the subdivision.

Group Contra: Unfair double taxation is bad for the economy

The most frequent narratives came from the macrosocial category. Without exception, all actors in the Contra group employed negative economy-related narratives. Jobs and family businesses were most frequently in the foreground. However, double taxation was also cited many times. The second most frequent narratives were value-oriented: Almost in unison, framework conditions were mentioned that would speak against strengthening the inheritance tax. In addition, the inheritance tax was described as unfair. Dissatisfaction and suspicion were also common: Half expressed great dissatisfaction with the state, whereas business assets should be treated privileged in any case. Property-preserving narratives also found their way into the narratives, especially those that established a connection to foreign countries and emphasized the importance of property and wealth.

⁴⁹² Bert Rürup became a member of the German Council of Economic Experts (SVR) in 2000 and headed the commission in 2002/2003 that "developed key ideas on the marketization of social insurance systems" (Botzem and Hesselmann 2018, 410).

Pro within the contra camp: other countries get it right, too

The fact that only nine of a total of 86 narratives are in favor of strengthening an inheritance tax highlights the strongly negative stance of the contra group against an inheritance tax. In the overall picture, the pro narratives are consistently weak in terms of frequency. Macrosocial narratives in terms of democracy, inequality, and as a means to an end, for example, were mentioned by some actors. However, even these narratives are directly integrated into other aspects, which in turn emphasize the negation of empowerment, so that the pro narratives are flanked by contra narratives.

For example, Actor #6 stated that he viewed the inheritance tax as "socially useful," but chalked up the double taxation it represents to a negative:

"Inheritance tax is, of course, a component of our tax system, and the only question is how exactly now, on which components of the company, when and to what extent, and you can argue about that for a long time in detail. But that it is levied makes social sense."

(ITV #6)⁴⁹³

Even as the same actor addressed meaningfulness in terms of the means to an end, double taxation comes into play again:

"... it's a bit annoying that it's then the second time that [the state] intervenes... But when we say, 'okay, but we need the resources. Otherwise, we can't become custodians of these principles.'" (ITV #6)⁴⁹⁴

⁴⁹³ „Die Erbschaftsteuer ist natürlich ein Bestandteil unseres Steuersystems, und die Frage ist nur, wie jetzt genau, auf welchen Bestandteilen des Unternehmens, wann und in welcher Höhe, und darüber kann man sich im Detail lange streiten. Aber dass, und dass man es grundsätzlich so macht, ist gesellschaftlich sinnvoll.“

⁴⁹⁴ „... es nervt ein bisschen, dass es dann das zweite Mal ist, dass man dann eingreift. ... Aber wenn man sagt: Okay, wir brauchen aber das Geld, ansonsten können wir diesen Prinzipien nicht Gewahrsam werden.“

Table 5.7: RON of the German economic elite – group Contra

<i>German Economic Elite (8/18)</i> 2019-2023	<i>Contra</i>	
	1, 3, 6, 8, 10, 14, 17, 18	
<i>Value based</i>	1	20
Fairness, Justice		4
Principle of Equality		1
„Oportunidades“		1
Principle of merit	1	3
Ownership Principle (Family)		2
Framework conditions		9
<i>Macrosocial</i>	4	27
Means to an end	1	1
Democracy	2	1
Inequality	1	
Home ownership		
Economic reference		5/14
- <i>Jobs</i>		5
- <i>Middle sized businesses</i>		4
- <i>Familienbetriebe</i>		5
Double taxation		6
socialism, communism		
<i>Dissatisfaction and suspicion</i>		11
Dissatisfaction		4
State budget		1
Philantropy		
Corruption		
Lobbyism		
(Privileges) Rich		1
(Privileges) Business assets		5
<i>Envy and resentment</i>	1	7
Principle of justice		3
Envy		2
State begrudged	1	2
<i>Property preservation</i>	3	12
Principle of equality		1
Property principle		4
Wealth creation		2
Types of income		
Foreign dimension	3	5
<i>TOTAL</i>	9	77

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	14	27	14	27
Strong	11-13	21-26	11-13	21-26
Moderate	4-10	7-20	4-10	7-20
Weak	1-3	1-6	1-3	1-6

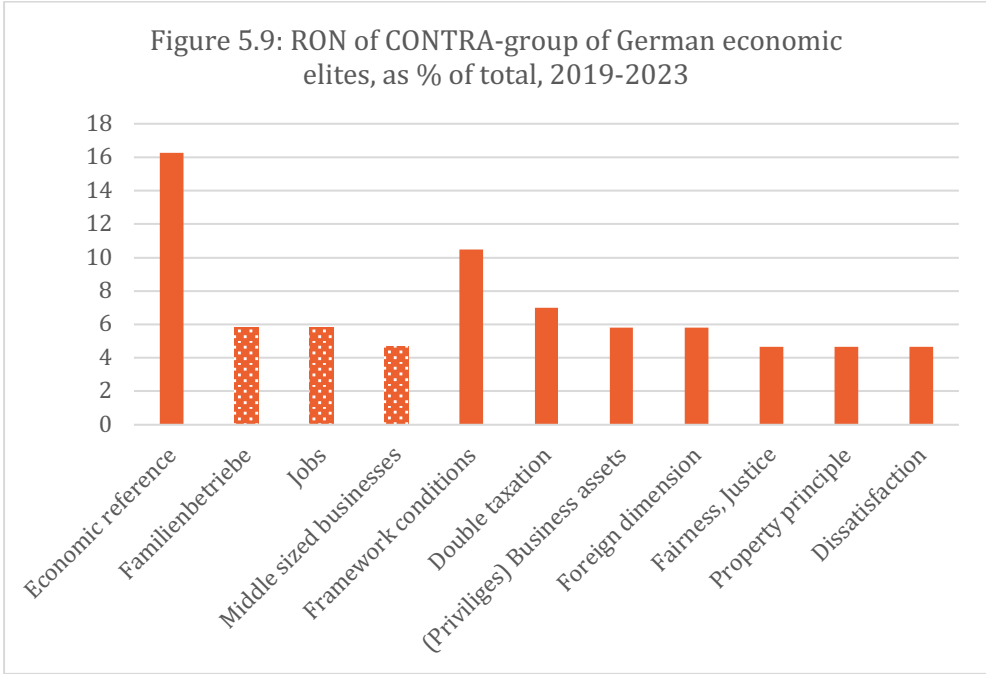
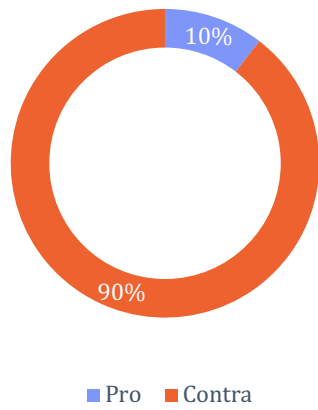


Figure 5.10: Share of pro and contra-narratives (%) of German economic elites, group CONTRA



The situation is no different with the pro narrative that was mentioned most frequently, namely those with a foreign connection. Compared to other countries, the German inheritance tax is sometimes described as moderate; more would be possible. And yet:

"... we have a very moderate system, whereby the 400 billion [euros] of course also include business assets. ... I'm already in the inheritance tax range, I don't know, 10, 15 percent or so, which is what my children will have to pay. In Great Britain, for example, there is an exemption threshold of 500,000, and from then on, 40 percent is abruptly applied. ... we are moderate in that respect. But for example, I think in Austria there is no inheritance tax at all." (ITV #10)⁴⁹⁵

On the basis of the comparisons alone, it is not yet possible to make a division into pro and contra; from the discussions and the overall view, I can say that this actor from the contra group, for example, brought up the example of GB in order to make clear, according to my interpretation, that the inheritance tax could also be made significantly stronger. But he was the exception within this group. However, then Austria came to his mind, which suspended the inheritance tax in 2008.

Overall, the positive narratives are clearly negligible when measured by their frequency within this group. They did not come up even moderately often (i.e., between 25 and 75 percent often when measured by the most frequently mentioned narrative) within all interviews.

Macrosocial: it's the economy, stupid!

The strongest narratives are those with economic reference. Because some economic narratives were particularly strong, I subdivided them into jobs, the middle class, and family businesses. Even on their own, each of these narratives is moderate; taken together, they form the most mentioned and strongest narrative group with 27 out of a total of 86 narratives. Strengthening the inheritance tax or its existence at all would be bad for the German economy, thus for society, the inheritance tax would threaten jobs and accordingly family businesses would have to be treated separately. As a rule, the partial aspects are thought of and cited together.

"And when we come to the topic of inheritance tax, wealth tax, then we really have the problem that when you have medium-sized companies, which are often family-owned, and you say I want 30 percent inheritance tax, then the family doesn't have that. If the company is valued at 100 million, I would have to pay 30 million in inheritance tax the next day. Where would that come from? I can only say that either I have to somehow get that out of

⁴⁹⁵ "... wir haben ein sehr moderates System, wobei die 400 Milliarden natürlich auch betriebliche Vermögen mit umfassen. ... Ich komme jetzt schon in so einem Erbschaftsteuerbereich, was weiß ich so, 10, 15 Prozent oder so, was jetzt meine Kinder, die also diese Erbschaftsteuer bezahlen müssen. In Großbritannien beispielsweise gibt es eine Freigrenze, die bei 500.000 liegt, und ab da setzt schlagartig 40 Prozent an. ... wir sind da moderat. Aber beispielsweise, ich glaube, in Österreich gibt es gar keine Erbschaftsteuer."

the company, then I'm in a loop, so to speak, that I can't invest there, maybe I have to kick people out and so on and so forth. Or I have to sell the company." (ITV #14)⁴⁹⁶

The scenario of a sale is often linked to the narrative that foreign investors would take advantage and endanger jobs or Germany as a business location. That is what makes the inheritance tax or the framework conditions so complicated:

"Then the owner says okay, I'll just sell to the Chinese or to some locust [Heuschrecke], and that's the way it is. Then the locust comes, rounds up the store, and if there's something wrong with the jobs, there's a lot of screaming again." (ITV #14)⁴⁹⁷

Actor #3 is of the same opinion regarding the consequences:

"You're actually destroying the German family-owned middle class, because then it doesn't make it across the generational divide. ... The other option is to go public and sell it to international investors, whoever is there in the capital market, and in the end that's always Blackrock and Blackstone and whatever, that's clear; the other option is just that they then pull the wealth out of the company, and then that bleeds the company dry in terms of investment. ... And to be honest, I think that would be an unbelievable pity, because it is precisely the SME [small medium enterprise] sector, which is one of Germany's great strengths, that would be destroyed in the long run. It would last maybe another 20 years and then they would all either be on the stock market or bled dry." (ITV #3)⁴⁹⁸

In the conversation with Actor #3, I was interested in what he thought of the proposal made by DIW head Marcel Fratzscher as well as by sociologist Michael Hartmann to work with tax deferrals so that inheritance tax could also be paid over ten or 15 years.

"Doesn't change anything, then the wealth just gets pulled out of the company over ten, 15 years." (ITV #3)⁴⁹⁹

⁴⁹⁶ "Und wenn wir dann zum Thema Erbschaftsteuer, Vermögensteuer kommen, dann hat man in der Tat das Problem, wenn man bei den Mittelständlern, die oft ja in Familienbesitz sind, und wenn man da sagt, ich will 30 Prozent Erbschaftsteuer haben, dann hat die Familie das ja nicht. Das hängt im Unternehmen, dann wird das, ich sage mal, jetzt mit 100 Millionen bewertet, müsste ich ja am nächsten Tag 30 Millionen Erbschaftsteuer zahlen. Wo sollen die herkommen? Da kann ich nur sagen, entweder ich muss irgendwie das aus dem Unternehmen rausholen, dann bin ich ja quasi in der Schleife drin, dass ich dann da nicht investieren kann, vielleicht auch die Leute rausschmeißen muss und so weiter und so fort. Oder ich muss das Unternehmen verkaufen."

⁴⁹⁷ "... dann sagt eben der Eigentümer okay, dann verkaufe ich halt an die Chinesen oder an irgendeine Heuschrecke und dann ist es halt so. Dann kommt die Heuschrecke, macht den Laden rund und wenn dann bei Arbeitsplätzen irgendwas ist, ist das Geschrei auch wieder groß."

⁴⁹⁸ "Sie machen eigentlich den deutschen familiären Mittelstand kaputt, weil er es dann nicht über die Generationengrenze wegschafft. ... Die andere Variante zu ich gehe an die Börse und verkaufe es an internationale Investoren, wer auch immer im Kapitalmarkt da ist, und das ist am Ende immer Blackrock und Blackstone und was auch immer, ist klar; die andere Möglichkeit ist nur, die ziehen die Substanz dann aus dem Unternehmen raus, und dann blutet das die Unternehmen investiv aus. ... Und das würde ich ehrlich gesagt unglaublich schade finden, weil gerade der Mittelstand, der ja eine der großen Stärken Deutschlands ist, er würde dadurch auf Dauer kaputt gemacht werden. Das würde vielleicht noch 20 Jahre halten und dann wären die alle entweder an der Börse oder ausgeblutet."

⁴⁹⁹ "Ändert nichts, dann wird das einfach über zehn, 15 Jahre aus dem Unternehmen gezogen."

The same actor explained to me why he was critical of the taxation of business assets, especially in view of international competition and the difficult state of German industry, while at the same time venting his frustration with the government of recent years:

"I think taxing business assets, I think that's incredibly, incredibly critical... because I see the middle class as really problematic. If you take a little bit away from my kids, we can discuss that. But I say we have to be incredibly careful that we don't start off here with all kinds of good intentions and then end up with side effects that destroy the German industrial structure. What really concerns me is that we have to maintain the international competitiveness of German industry. In the last ten years, we have done almost nothing to promote competitiveness. German industry is doing so well ... not at all because of political action, but in spite of political action." (ITV #3)⁵⁰⁰

Another common narrative against the inheritance tax is double taxation. Actor #8 states bluntly, "I oppose the inheritance tax in principle because it is income that has already been taxed multiple times" (ITV #8). Actors # 6, 10 and 14 agree with him. For actor #14, this form of taxation is not only economically, but also perverse and morally questionable, especially since the inheritance mass was earned by himself:

"Now if you take someone like me, I started from scratch. I made money, all of it taxed; everything I invest, all of the investment income is taxed. So that's money taxed multiple times. If I bequeath that now, then it's taxed again. I have to be honest and say that I find that really perverse, because what I have earned is taxed so much in the end until it reaches someone. Now whether that's socially fair, I don't know." (ITV #14)⁵⁰¹

Value-based: laughable and complicated

After business-related narratives, framework conditions are the most frequently mentioned. In this context, the actors described that they would find the inheritance tax complicated, problematic in implementation, valuation, and that they could easily circumvent it using the gift tax or through other existing regulations. The circumvention of inheritance tax is easy and the current laws are laughable:

⁵⁰⁰ "Ich halte Betriebsvermögen zu besteuern, ich halte das für unglaublich, für unglaublich kritisch... weil ich den Mittelstand als echt problematisch ansehe. Wenn Sie mir dann meinen Kindern ein bisschen was wegnehmen, da können wir drüber diskutieren. Aber ich sage, wir müssen unglaublich aufpassen, dass wir hier nicht mit allen möglichen guten Intentionen losstarten und dann am Ende Nebeneffekte kriegen, die die Deutsche Industriestruktur kaputt macht. Was mich richtig umtreibt, ist, wir müssen die internationale Wettbewerbsfähigkeit der deutschen Industrie erhalten. Wir haben die letzten zehn Jahre fast nichts gemacht, was der Wettbewerbsfähigkeit dient. Die deutsche Industrie steht so gut dar ... überhaupt nicht wegen des politischen Handelns, sondern trotz des politischen Handelns."

⁵⁰¹ "Wenn Sie jetzt jemanden nehmen, wie mich, ich habe bei Null angefangen. Ich habe Geld verdient, das alles versteuert; alles was ich anlege, alle Kapitalerträge sind versteuert. Also das ist mehrfach versteuertes Geld. Wenn ich das jetzt vererbe, dann wird es noch mal versteuert. Da muss ich ehrlich sagen, das finde ich wirklich pervers, weil das, was ich mal verdient habe, so viel besteuert ist am Ende, bis es bei irgendjemanden ankommt. Ob das jetzt gesellschaftlich gerecht ist, weiß ich nicht."

"You now have this regulation tied to the workplace. I can see what it is. It's a show. Then I buy a few cleaning crews beforehand, quite casually, 1,000 people cleaning crews, facility cleaning. I keep the 1,000 people for seven years, then I sell all the crap again and that's it." (ITV #3)⁵⁰²

Another actor also makes clear how easy it would be not to pay inheritance tax or to pay it at a lower rate, especially since the legal options exist and he is against inheritance tax:

ITV #1: "...after I've worked hard, I'm cutting back on consumption, I've already paid tax on it at 50 percent. That now half of it would be taxed again, should be lost, because I decide to give it to my children – with that I truly have a big problem. And in that respect, you actually have to say, yes, of course, there are tax allowances, and you have to take advantage of them early on."

Linartas: "Through the gift tax?"

ITV #1: "Yeah, sure."⁵⁰³

Actor #10 brings together the framework conditions and perceptions of justice: In his view, the inheritance tax is perceived as unfair, which may have been the reason for why it was abolished in Austria. Those who feel this injustice would know how to avoid the tax:

"[In Austria] [the inheritance tax] has been abolished, probably also with good arguments, whether they are [unintelligible] is completely, completely, completely irrelevant. I think the trick to the story is to find something in society that is overwhelmingly perceived by society as fair and just. That's actually the trick, and that means that it's also perceived as predominantly fair and just by those who have to pay those taxes. That's the problem. And if you can't get through that, then those people will find ways to avoid it." (ITV #10)⁵⁰⁴

Property preservation: do not tax wealth

After macrosocial and value-based narratives, third place among the narrative categories goes to those that are property-based. The foreign reference occurs particularly frequently, and is often

⁵⁰² "Man hat ja jetzt diese an Arbeitsplatz gebundene Regelung. Ich erlebe das ja, was das ist. Das ist ja alles Theater. Dann kaufe ich mir davor ein paar Putzkolonnen ein, ganz salopp, 1000 Leute Putzkolonnen, facility cleaning. Die 1000 Leute behalt ich sieben Jahre, danach verkaufe ich den ganzen Mist wieder und das war's."

⁵⁰³ ITV #1: "...nachdem ich hart gearbeitet, ich mache Konsumverzicht, ich habe es schon versteuert mit 50 Prozent. Dass jetzt noch mal die Hälfte oder wie viel verloren gehen soll, weil ich mich entscheide, es dann an meine Kinder zu geben, habe ich echt ein großes Problem. Und insofern muss man eigentlich sagen, ja, klar, es gibt Freibeträge, die muss man auch frühzeitig ausnützen."

Linartas: "Über die Schenkungsteuer dann?"

ITV #1: "Ja, klar."

⁵⁰⁴ " [In Österreich] ist [die Erbschaftsteuer] abgeschafft worden, wahrscheinlich auch mit guten Argumenten, ob die [unverständlich, Linartas lacht] sind, ist vollkommen, vollkommen, vollkommen, vollkommen unerheblich. Ich glaube, der Trick an der Geschichte ist, in der Gesellschaft etwas zu finden, das von der Gesellschaft überwiegend als fair und gerecht empfunden wird. Das ist eigentlich der Trick und das bedeutet, dass es auch überwiegend als fair und gerecht von denen empfunden wird, die diese Steuern zahlen müssen. Das ist das Problem. Und wenn Sie da nicht durchkommen, dann werden diese Menschen Wege finden, dem auszuweichen."

linked to economic-based narratives. In addition, actors in the Contra group emphasized the importance of property. Some actors described that they have a negative attitude towards inheritance and property taxes for the same reasons: They said that it is fundamentally a problem if property is taxed. After all, assets are often not liquid but tied up and have to be sold in the end to pay taxes. That would be economically harmful.

"Assets don't equal liquidity. ... They have some real estate, they have a – I don't know – a forestry business, they may have land. All that has a high value on paper. But the returns are relatively small. They have a lot of assets, but they don't have a lot of money to spend. The same applies to companies. A stake in a company, it may be worth a lot, but then what comes out of the company in dividends as income may not be that much. The problem arises when, in the context of an inheritance tax, or even a wealth tax – would be the same logic – accrues that exceeds the available liquidity. This forces the person concerned to then part with parts of the assets, thus damaging the property. And I think that is indeed a dangerous development." (ITV #17)⁵⁰⁵

For Actor #17, the inheritance tax should be viewed critically in particular because it applies to wealth and thus endangers jobs:

"I tend to view such an inheritance tax critically. Because it just goes to wealth again, and I think it's fundamentally dangerous to undermine wealth, because wealth is what our country also stands on, our society stands on, and it's also what keeps jobs, jobs come from wealth." (ITV #17)⁵⁰⁶

The different forms of assets are also difficult in view of the tax justice and legislation, he said. This aspect is mentioned by Actor #14:

"What also doesn't work, of course, is that I have someone who owns a family business in the form of 100 million [euros], and someone else who has a globally diversified stock portfolio with 100 million, the [one] is then taxed and the [other] is not. Somehow that doesn't really work either. That's just the difficulty with this inheritance tax." (ITV #14)⁵⁰⁷

⁵⁰⁵ "Vermögen ist nicht gleich Liquidität... Sie haben ein paar Immobilien, sie haben ein, was weiß ich, ein Forstbetrieb, sie haben vielleicht Land. Das ist alles viel Wert auf dem Papier. Aber die Erträge, die da rauskommen, sind relativ gering. Sie haben zwar viel Vermögen, aber sie haben wenig Geld, das sie ausgeben können. Und so ist es auch manchmal bei Unternehmen. Eine Unternehmensbeteiligung, die kann viel wert sein, aber das, was an Dividenden aus dem Unternehmen als Ertrag rauskommt, mag dann vielleicht nicht so viel sein. Das Problem tritt dann auf, wenn im Rahmen einer Erbschaftsteuer, oder auch einer Vermögensteuer – wäre die gleiche Logik – anfällt, die über die verfügbare Liquidität hinausgeht. Das zwingt den Betroffenen, sich dann von Vermögensteilen zu trennen und damit die Substanz zu schädigen. Und das halte ich in der Tat für eine gefährliche Entwicklung."

⁵⁰⁶ "Ich sehe so eine Erbschaftsteuer tendenziell kritisch. Weil sie eben wieder an die Substanz geht, und ich halte es für grundsätzlich gefährlich, die Substanz zu unterlaufen, denn die Substanz ist das, auf dem auch unser Land steht, unsere Gesellschaft steht, und darüber werden die Arbeitsplätze auch gehalten, in dieser Substanz leben die Arbeitsplätze."

⁵⁰⁷ "Was natürlich auch nicht geht, dass ich da jemandem dem ein Familienunternehmen gehört in Form von 100 Millionen, und jemand anders, der hat ein weltweit gestreutes Aktienportfolio mit 100 Millionen, der [eine] wird dann besteuert, und der [andere] nicht. Das geht irgendwie auch nicht wirklich. Das ist einfach die Schwierigkeit mit dieser Erbschaftsteuer."

Dissatisfaction & suspicion: the state is inefficient and business assets need to be privileged

Actor #14 has a very clear stance against strengthening the inheritance tax. This has a lot to do with distrust and dissatisfaction with the state, quasi on the expenditure side:

"The question then is also, what does the state do with it? And how does the state use the money? And from society's point of view, is it actually ensured that the money is being put to good use? I mean, we have a parliament with 700, I don't know, 750 deputies. In relation to the population, it is the largest parliament in the world. That is a waste that is unparalleled. And then I'm supposed to pay more taxes? I'm sorry, but I can't really understand that. ... The state is simply not efficient either, and that's why I don't know why taxes should be increased if it's not ensured that in the end the use is efficient." (ITV #14)⁵⁰⁸

As in the narrative analysis in attitudes toward the state as a whole, the image of the state being inefficient and a bad economic actor comes up specifically in conversations about the inheritance tax:

"From experience, and there is an ideological difference with the classic pure, leftist doctrine, I believe that the morally responsible private individual can bring money back into circulation more sensibly and efficiently, ultimately, in a good sense, than the state, which often runs the risk of getting lost in bureaucratism, tediousness, lack of capacity to act, in itself, and thus basically erodes its own foundation." (ITV #6)⁵⁰⁹

The privileges for business assets are therefore only logical. These would have to be exempted, because otherwise the economic and overall social damage would be greater than the benefit. Frequently, business assets were explicitly named as such; even more frequently, they were framed as family businesses, the family element being placed in front. Either way, privileging is a *sine qua non* for Germany as an industrial location (ITV #3, 6, 10, 17).

Envy and resentment: envy debate and false sense of justice

Considered individually, the narratives in the category envy and resentment are weak, but taken together they still occur moderately in terms of frequency. Interviewees #1, #8, and #14 make the points particularly clearly; they were primarily concerned with envy on the one hand and a false sense of justice on the other. According to Interviewee #1, the debate about the inheritance tax

⁵⁰⁸ "Die Frage ist dann auch, was macht der Staat damit? Und wie verwendet der Staat das Geld? Und ist dann eigentlich aus der gesellschaftlichen Sicht sichergestellt, dass das eine sinnvolle Verwendung findet? Gucken Sie sich an, wir haben ein Parlament mit 700, weiß nicht 50 Abgeordneten; in Relation zur Bevölkerung ist es das größte Parlament der Welt. Das ist eine Verschwendung, die ihresgleichen sucht. Und dann soll ich dafür mehr Steuern zahlen? Tut mir leid, kann ich jetzt nicht so richtig einsehen. ... Der Staat ist einfach auch nicht effizient, und deswegen weiß ich auch nicht, warum die Steuern erhöht werden sollen, wenn nicht sichergestellt ist, dass am Ende die Verwendung effizient ist."

⁵⁰⁹ "Erfahrungsgemäß, und da ist ein ideologischer Unterschied zu der klassischen reinen, linken Lehre, glaube ich, dass der moralisch verantwortliche Private sinnvoller und effizienter das Geld letztendlich auch im guten Sinne wieder in den Kreislauf bringen kann als der Staat, der sich häufig in Gefahr läuft, in Bürokratien, Langatmigkeit, fehlende Handlungsfähigkeit, in sich selber, verliert und damit im Grunde genommen sein eigenes Fundament erodiert."

would also directly lead to a new debate about envy. According to Actor #14, this debate is also primarily driven by envy: "Those who don't inherit like to tax those who do" (ITV #14).

In addition to this aspect of envy, the justice aspect was been mentioned. What was difficult in this discussion for Actor #8, despite his own socio-economic background, was the idea that society as a whole should be treated more equally. Interesting here are the connections between justice, equality and opportunities, which Actor #8 clearly differentiates:

"Nevertheless, because of my personal background [first generation academic], I have very, very little sympathy for people who are constantly crying out that they should be treated more equally or that they should be given more opportunities, so to speak. Because at the end of the day, I think there's just no such thing as equity in the context [of inheritance tax]. There is a way to communicate access to similar opportunities to as many people as possible. Yes. But that's where it stops. But that doesn't happen because I take a lot away from people who are particularly advantaged. Rather, I have to give those who are particularly disadvantaged particularly much. And that is the decisive step. And again, there are much better ways to do that, and especially much better ways in terms of administration, than an inheritance tax." (ITV #8)⁵¹⁰

Beckert: no clear preference

As with the Mexican business elite, I asked the German business elite about their positioning with regard to the value principles of Jens Beckert. Unfortunately, time did not always permit us to discuss the four principles with the German actors. Within the contra group, I was able to talk with at least half of the interviewees about the family principle according to Hegel, the principle of equal opportunity according to Buffet, the social principle according to Carnegie, and that of justice according to Weber. The result: they could not be further apart. The only statement I can make with certainty is that one can certainly not speak of there being a clear preference.

Group Ambiguous: It's okay the way it is, but ...

In the case of four out of 18 interviewees, I consider a classification into pro or contra inappropriate. What these actors have in common with the contra group is that they draw on particularly property-preserving narratives. Overall, the contra narratives predominate (21 to eight).

⁵¹⁰ "Trotzdem habe ich aufgrund meines persönlichen Werdegangs sehr, sehr wenig Verständnis für Menschen, die permanent danach schreien, sie müssten gleicher behandelt werden oder sie müssten sozusagen mehr Chancen bekommen. Weil ich glaube, am Ende des Tages gibt es so etwas wie Gerechtigkeit in dem Kontext [der Erbschaftsteuer] einfach nicht. Es gibt eine Möglichkeit, möglichst vielen Menschen Zugang zu ähnlichen Chancen zu vermitteln. Ja. Aber damit hört es dann auch schon auf. Das passiert aber nicht dadurch, dass ich Menschen, die besonders bevorteilt sind, besonders viel wegnehme. Sondern ich muss denen, die besonders benachteiligt sind, besonders viel zukommen lassen. Und das ist der entscheidende Schritt. Und nochmal, dazu gibt es viel bessere, und vor allem auch von der Verwaltung her deutlich bessere Möglichkeiten als eine Erbschaftsteuer."

However, unlike the contra group, these four interviewees emphasized the merit principle more strongly, which is also prominent among the pro group. Narratives against an inheritance tax based on the emphasis on the importance of property and pro narratives in terms of the merit principle balance each other out. Therefore, interviewees #2, 4, 5, and 9 are "ambiguous".

For Interviewee #2, his positions fluctuate significantly in the context of the macrosocial narrative: On the one hand, the principle of equality, especially in terms of equal opportunities, as well as the principle of achievement, are important to him; at the same time, he emphasized several times that he views wealth in family terms, so that his children should benefit from the wealth he originated. But in the basic principle, he and the partner stand behind the inheritance tax and the principle of merit; accordingly, they would "not optimize" their assets, as some friends do:

"We have friends, very good friends, who have only one thing in mind: that their [children] never have to work, but at least have the opportunity to choose freely. That was their dream. There was a discussion, our friendship almost broke. So violently. I have to say that I think everyone should have the opportunity to live a life they're happy with through a life's work, at least have the opportunities and chances, and the goal was never to accumulate wealth. To pass this on now, that this is at least partly distributed in such a way that you say, well, those who haven't done anything at all for it, just because they got there by birth and constellation, automatically benefit from it – that this is questioned socially, I do understand." (ITV #2)⁵¹¹

⁵¹¹ "Wir haben Freunde, sehr gute Freunde, die nur eins im Sinne haben: dass ihre [Kinder] nie arbeiten müssen, sondern zumindest die Möglichkeit haben, frei zu entscheiden. Das war ihr Traum. Da gab es eine Diskussion, da ist unsere Freundschaft fast kaputt gegangen. So heftig. Da muss ich sagen, ich finde, jeder soll die Möglichkeit haben, über eine Lebensleistung – zumindest die Möglichkeiten und Chancen haben – ein Leben zu führen, mit dem er zufrieden ist, und das Ziel war nie, Vermögen anzuhäufen. Dieses jetzt weiterzugeben, dass das zumindest zum Teil so verteilt wird, dass man sagt, naja, die die gar nichts dafür getan haben, nur weil sie durch Geburt und Konstellation dort hineingekommen sind, profitieren davon automatisch – dass das hinterfragt wird, verstehe ich gesellschaftlich."

Table 5.8: RON of the German economic elite – group Ambiguous

<i>German Economic Elite (4/18)</i> <i>2019-2023</i>	<i>Ambiguous</i>	
	2, 4, 5, 9	
<i>Value based</i>	7	3
Fairness, Justice		
Principle of Equality	1	
„Oportunidades“	1	
Principle of merit	5	
Ownership Principle (Family)		3
Framework conditions		
<i>Macrosocial</i>	1	5
Means to an end		
Democracy		
Inequality	1	
Home ownership		
Economic reference		0/4
- <i>Jobs</i>		1
- <i>Middle sized businesses</i>		1
- <i>Familienbetriebe</i>		2
Double taxation		1
socialism, communism		
<i>Dissatisfaction, suspicion</i>		5
Dissatisfaction		
State budget		
Philantropy		2
Corruption		
Lobbyism		
(Privileges) Rich		
(Privileges) Business assets		3
<i>Envy and resentment</i>		1
Principle of justice		
Envy		
State begrudged		1
<i>Property preservation</i>		7
Principle of equality		2
Property principle		2
Wealth creation		2
Types of income		
Foreign dimension		1
TOTAL	8	21

	Pro (i/cat)		Contra (i/cat)	
Strongest	5	7	5	7
Strong	4	6	4	6
Moderate	2-3	2-5	2-3	2-5
Weak	1	1	1	1

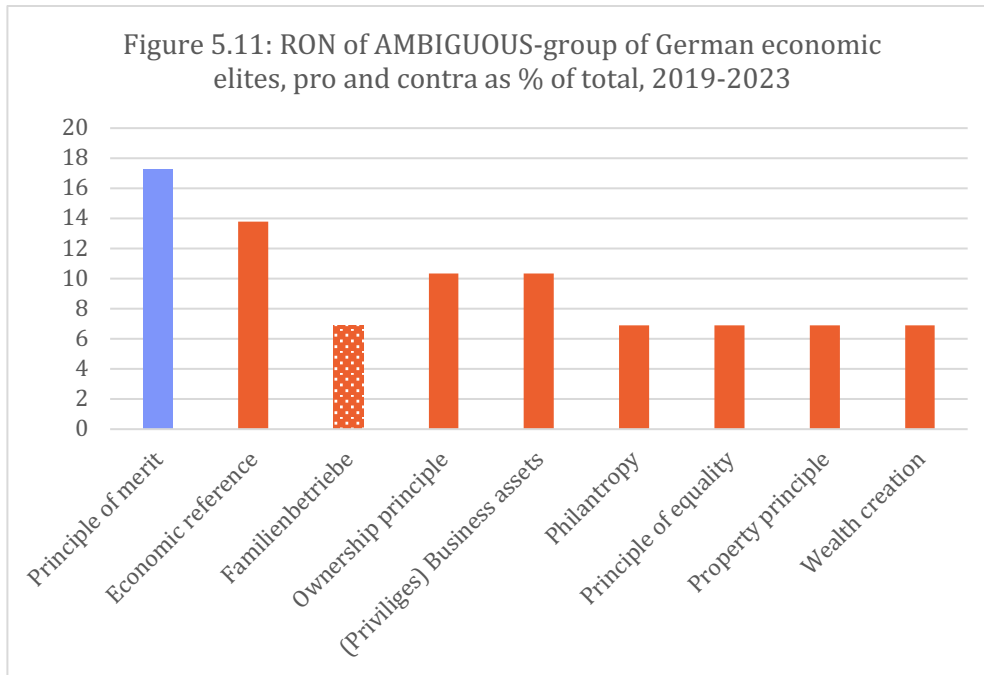
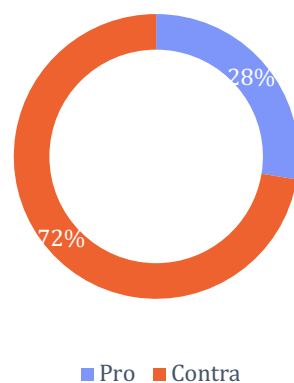


Figure 5.12: Share of pro & contra-narratives (%) of German economic elite, group AMBIGUOUS



In a conversation about inheritance tax and its significance, the interviewee told me that he has not yet thought about some aspects in depth, but from the perspective of freedom over one's own wealth, concerns arise in his mind as to whether taxation would be the means of choice:

"I would say it is the individual freedom and decision of my person to say: I would like to pass this on [and I] can pass it on to others. I can distribute my assets, after all, and that's why I'm not allowed to intervene there. That's why I find that somehow interesting... I've never dealt with that before. That's why there's such a thing as leaving assets in companies, setting up foundations, things like that. I think it's great that these opportunities exist. So the diversity of not escaping inheritance tax, but investing assets in such a way that they are used for a purpose. I think it is terrific that these options exist. I also think the possibility that heirs who only inherit have to give some of it away is okay. It's not my preferred option now, but I think that's okay too." (ITV #2)⁵¹²

Actor #4 cannot be classified as pro or contra. The interviewee distinguished between wealth tax and inheritance tax, although an inheritance tax is a tax on wealth. In his opinion, however, one should look closely at inheritance tax and differentiate according to what form of wealth the inheritance is:

"Is the wealth that is inherited productive or is it simply consumptive? If it is productive, for example if it creates jobs, if it is a business, then you should really be careful that you don't slaughter the cow just so that there is a little meat. But afterwards, when the meat is eaten up, the opportunity for thousands of people is missing, from which they live quite well during the day." (ITV #4)⁵¹³

This is exactly the opinion of Actor #5: wealth taxes are bad because they tax property; but he would be

"in favor of thinking about more inheritance taxation, to get some intergenerational corrective mode going, so that maybe we can get away from this supposed inheritance society." (ITV #5)⁵¹⁴

⁵¹² "Auf der anderen Seite sage ich, es ist die individuelle Freiheit und Entscheidung meiner Person zu sagen, ich möchte das gerne weitergeben [und ich] kann es ja auch an andere weitergeben. Ich kann ja mein Vermögen verteilen, und deswegen darf ich da auch nicht eingreifen. Deswegen finde ich das irgendwie interessant... da habe ich mich noch nie mit beschäftigt. Deswegen gibt es das eben, dass man Werte in Unternehmen lässt, dass man Stiftungen gründet, solche Dinge. Dass diese Möglichkeiten da sind, finde ich super klasse. Also die Vielfalt, nicht der Erbschaftsteuer zu entkommen, sondern das Vermögen so anzulegen, dass es einem Sinn und Zweck zugeführt wird. [Diesen] Weg finde ich grandios, dass er da ist. Ich finde auch die Möglichkeit, dass Erben, die nur erben, davon auch etwas abgeben müssen, okay. Ist jetzt nicht meine präferierte Variante, aber das finde ich auch okay."

⁵¹³ "Ist das Vermögen, das vererbt wird, produktiv oder ist es einfach nur konsumtiv? Wenn es produktiv ist, wenn es zum Beispiel Arbeitsplätze schafft, wenn es ein Betrieb ist, da sollte man dann echt aufpassen, dass man dann nicht die Kuh schlachtet, nur damit ein bisschen Fleisch da ist. Aber hinterher, wenn das Fleisch aufgegessen ist, die Möglichkeit für tausende von Menschen fehlt, von der sie tagsüber ganz gut leben."

⁵¹⁴ "schon dafür zu haben, dass man über eine stärkere Erbschaftsbesteuerung nachdenkt, um einen gewissen intergenerationalen Korrektivmodus hinzukriegen, damit wir von dieser vermeintlichen Erbengesellschaft vielleicht wegkommen."

However, like Actor #4, Actor #5 would differentiate between personal and business assets for inheritance tax purposes:

"Because that's the *casus knacksus*, what do you do with entrepreneurial asset issues or companies that think multigenerationally and that absolutely act out of entrepreneurial responsibility?... That's where I'm in a bind." (ITV #5)⁵¹⁵

He could accept a tightening of the inheritance tax, but he considers "this entrepreneurial story" to be unresolved. The fourth member of the group agreed with the others: The principle of merit is important, the luck of which family one is born into should not be decisive for life chances, and accordingly taxation could intervene there. But as soon as it comes to family businesses, this form of inheritance is "something very good" (ITV #9).

Group Pro: Performance must be rewarded

One-third of all interviewees, six in number, are in favor of strengthening the inheritance tax. Most of the pro-narratives are values-based, with more than half of all narratives in this category. Among these, the principle of merit is strongest. Macrosocial narratives and those that focus on discontent and distrust are primarily aimed at privileges of the rich and corporate wealth. On par are macrosocial narratives that focus particularly on the means to an end and the reduction of inequality. It is in this category that the most contra narratives are found: taken individually, business-related narratives are even mentioned most frequently; the middle class and family businesses are cited as to why or at what point a strengthening of the inheritance tax would not be appropriate.

⁵¹⁵ "Das ist nämlich der *casus knacksus*, was machen Sie mit unternehmerischen Vermögensthemen oder Unternehmen, die Mehrgenerationell ticken und die durchaus auch im Unternehmer-Verantwortung ticken?... Da bin ich in der Breddouille."

Table 5.9: RON of the German economic elite – group Pro

<i>German Economic Elite (6/18)</i> 2019-2023	<i>Pro</i>	
	7, 11, 12, 13, 15, 16	
<i>Value based</i>	21	6
Fairness, Justice	3	1
Principle of Equality		1
„Oportunidades“	2	
Principle of merit	9	
Ownership Principle (Family)	1	
Framework conditions	6	4
<i>Macrosocial</i>	8	13
Means to an end	3	
Democracy	1	
Inequality	3	1
Home ownership		2
Economic reference	1/1	0/10
- <i>Jobs</i>		
- <i>Middle sized businesses</i>		6
- <i>Familienbetriebe</i>		4
Double taxation		
socialism, communism		
<i>Dissatisfaction, suspicion</i>	8	5
Dissatisfaction		
State budget	1	
Philantropy		3
Corruption		
Lobbyism	1	
(Privileges) Rich	3	
(Privileges) Business assets	3	2
<i>Envy, resentment</i>		1
Principle of justice		
Envy		1
State begrudged		
<i>Property preservation</i>	2	3
Principle of equality		
Property principle		
Wealth creation		
Types of income		
Foreign dimension	2	3
<i>TOTAL</i>	39	28

	<i>Pro (i/cat)</i>		<i>Contra (i/cat)</i>	
Strongest	10	20	10	20
Strong	8-9	15-19	8-9	15-19
Moderate	3-7	5-14	3-7	5-14
Weak	1-2	1-4	1-2	1-4

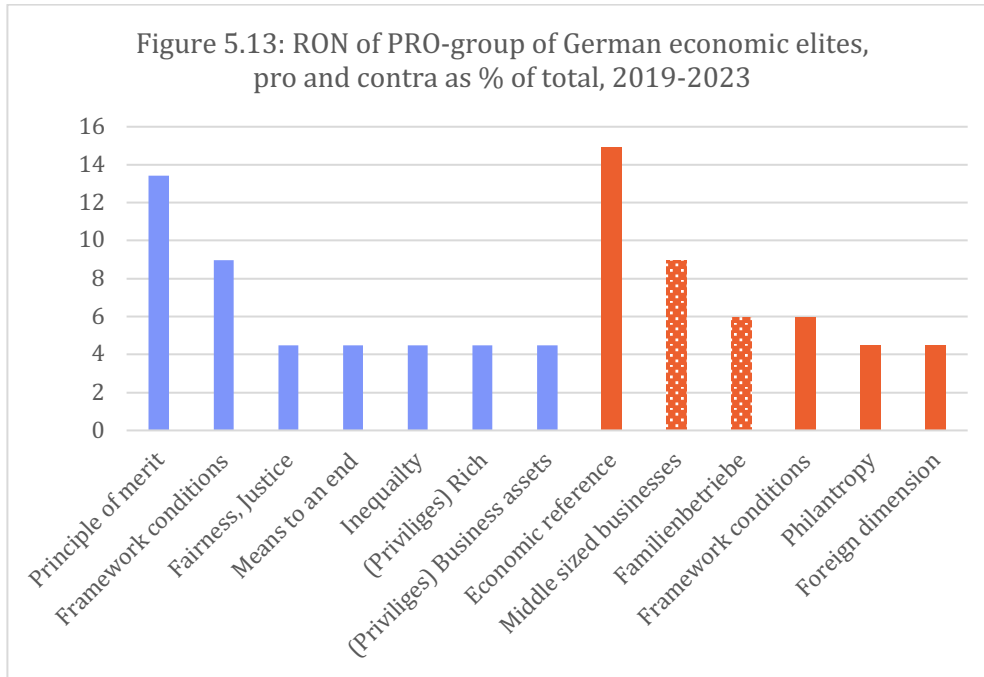
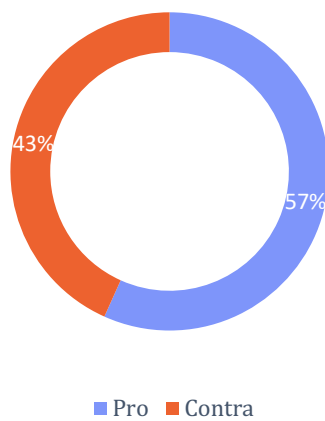


Figure 5.14: Share of pro and contra-narratives (%) of German economic elite, group PRO



Contra within the pro camp: middle class and business assets are complicated

In their narratives about the middle class and business assets, most actors in this group are no different from the ambiguous or contra group. In fact, this area is the binding link across the three groups. Not only are these narratives employed most frequently; there is no counter narrative, no positive narrative on the other side to this. For example, Actor #15 said:

"When I see that many medium-sized companies – where Germany really has a huge advantage over other, much more centralized economic structures, like the US, for example – of course I don't want to ruin these whole companies through excessive inheritance tax."
(ITV #15)⁵¹⁶

Even Actor #13, who explicitly raised inheritance tax reform in response to the question of what could be done about growing wealth inequality, is with conservatives on this point – a group to which he does not belong. In fact, this narrative would be particularly strong, and indirectly he agreed with them:

"And that's why it's a very strong argument for the conservatives to say that the more special regulations we introduce, the more difficult it will be, and then to say on our side, but of course we need the special regulations, because if we don't have the special regulations, then we'll just get the mechanical engineering company, the medium-sized company, which we also kill, but which we don't want to kill at all. In this area of friction, we have always lost to the conservatives so far." (ITV #13)⁵¹⁷

Actors #7,12, and 15, who are strong supporters of strengthening the inheritance tax, also cited the narrative regarding the middle class as a sticking point:

"This is always the case when things get stuck, especially in Germany with its very strong SME structure. If you then get companies in trouble in this way, medium-sized companies where capital is often tied up, then you are immediately at the end of wisdom here. And that, although possibly wrongly, always put an end to any discussion. But it is of course also actually a problem that is difficult to crack. Because if you act as of now, make large allowances, then you do not get exactly what you want. And where is really the difference

⁵¹⁶ "Wenn ich sehe, dass viele Mittelständler, wo Deutschland wirklich ein Riesenvorteil hat gegenüber anderen, viel zentralistischeren Wirtschaftsstrukturen, wie die USA zum Beispiel, da will ich natürlich auch nicht durch überhöhte Erbschaftsteuer diese ganze Unternehmen kaputt machen."

⁵¹⁷ "Und deshalb ist es schon ein sehr starkes Argument der Konservativen zu sagen, umso mehr Sonderregelung wir einführen, um so schwieriger wird es, und auf unserer Seite dann zu sagen, wir brauchen natürlich aber die Sonderregeln, denn wenn wir die Sonderregeln nicht haben, dann kriegen wir eben den Maschinenbauer, den Mittelständler, den wir auch killen, den wir aber gar nicht killen wollen. In diesem Reibungsfeld haben wir bisher immer verloren gegen die Konservativen."

between productive assets and fixed assets? Is it allowed to discriminate between people like that and so on... So, that's already ... that's a tough cookie." (ITV #7)⁵¹⁸

Still, Interviewee #12 stated this should not end the debate over higher inheritance taxes (ITV #12).

Operating assets must not take precedence over the principle of merit

The valuation of business assets is difficult and one has to be careful, but this task certainly is not impossible. Thinking in terms of business assets is too categorical and more of a technical question.

"That's why I would say higher inheritance taxes are absolutely okay, and can be done. It's probably more of a question, as it is now, of how to design it technically so that I don't create another tax loophole madness. But other countries are getting that right."
(ITV #12)⁵¹⁹

Also according to Actor #11, "the corresponding obligation of the companies is also to take timely precautions for a transfer of such a company into other hands" (ITV #11).

Actors #7, 11, and 12 believe that against inheritance companies (as postulated by Piketty) and the growing trend of economic inequality, the systematics of inheritance tax would have to be changed: "You would have to tax inheritance more" (ITV #7). Because, according to Actor #11,

"it is obvious that part of the ever-increasing accumulation of wealth is made possible by inheritance and that compound interest contributes significantly to the widening of the gap. There must be fair taxation." (ITV #11)⁵²⁰

When it comes to the question of justice in the context of value-based narratives, Interviewee #15 falls out of line: one would have to "think about an intelligent inheritance tax in the end", but to him this is not a question of justice.

⁵¹⁸ "Das ist eben immer der Fall, wo es dann klemmt, gerade in Deutschland mit der sehr starken mittelständischen Struktur. Wenn Sie auf die Weise dann Unternehmen in Schwierigkeiten bringen, mittelständische Unternehmen, wo das Kapital oft gebunden ist, dann ist man hier sofort am Ende der Weisheit. Und das beendet, möglicherweise zu Unrecht, aber bei uns aber immer jede Diskussion an der Stelle. Aber es ist natürlich auch tatsächlich ein Problem, das nur schwierig zu knacken ist. Denn wenn man wie jetzt agiert, große Freibeträge macht, dann bekommen Sie genau das nicht, was Sie wollen. Und wo ist denn eigentlich wirklich der Unterschied zwischen Produktivvermögen und Anlagevermögen, darf man die Leute denn so diskriminieren and so on. Also, das ist schon ... that's a tough cookie."

⁵¹⁹ "Deswegen würde ich sagen, höhere Erbschaftsteuern sind absolut okay, kann man machen. Es ist wahrscheinlich eher wie jetzt so eine Frage: Wie gestalte ich es technisch aus, dass ich nicht wieder so einen Steuerschlupfloch-Wahnsinn schaffe? Aber das kriegen andere Länder ja hin."

⁵²⁰ "Es ist ja offensichtlich, dass ein Teil des immer mehr akkumulierten Vermögens eben durch Erbschaften ermöglicht wird und dann eben der Zinseszins-Ansatz maßgeblich weiter dazu beiträgt, dass die Schere auseinandergeht. Da muss es eine gerechte Besteuerung geben."

"You have to ask the question of why someone, just because he was born into a family, starts with hundreds of millions, and others start with nothing. So, in my opinion, you have to come to grips with that. But in a way, that comes less from this just/unjust thought, but how do we actually use the resources that are there sensibly? We must not give the wrong incentive; I mean, if we then give the wrong incentive and say that companies that are healthy, family-owned companies, are going bust because they can't pay the inheritance tax, and they then sell that to large corporations and we pay off the concentration or say, then I'll move abroad, then I'll move my headquarters to Switzerland, we won't gain anything there either. That is a very difficult terrain. That's why it's so problematic."

(ITV #15)⁵²¹

In his view, one possibility would be to delve more into the subject of philanthropy. But this is difficult because of the envy debate in Germany:

"Here in Western Europe, people prefer to hide as they don't even want to give the point of attack, then I'm immediately accused of wanting to influence something or others. That's why this foundation system and donor system is relatively underdeveloped here."

(ITV #15)⁵²²

In any case, however, the idea of achievement must be upheld, even in the case of one's own children:

"If you get everything in front of you and actually know that you can no longer achieve what your parents put in front of you, you won't be happy. That means I limit the maximum they get, and the rest, if the state doesn't tax it away, which it isn't doing at the moment, then it just goes to good causes. But if the state were to tax that away, I wouldn't mind that either." (ITV #15)⁵²³

Unlike the other actors in the group, however, Interviewee #15 does not understand the reduction of inequality or maximum equality as the basis for his considerations. The inheritance tax is

⁵²¹ "Man muss schon die Frage stellen, warum einer, nur weil er in eine Familie hineingeboren ist, mit hunderten von Millionen anfangen, und andere fangen mit nix an. Also, da muss man schon ran, meines Erachtens. Aber auf eine Art und Weise, die weniger von diesem gerecht-ungerecht-Gedanken kommt, sondern wie nutzen wir die Mittel, die da sind, eigentlich sinnvoll? Man darf kein Fehlanreiz geben; ich meine, wenn wir dann den Fehlanreiz geben und sagen, Unternehmen, die gesund sind, Familienunternehmen, gehen daran kaputt, weil man die Erbschaftsteuer nicht zahlen kann, und die verkaufen das dann an Großkonzerne und wir tilgen die Konzentration oder sagen, dann ziehe ich ins Ausland, dann verlege ich meinen Sitz in die Schweiz, da haben wir auch nichts gewonnen. Das ist ein ganz schwieriges Terrain. Das ist deswegen auch so problematisch."

⁵²² "Hier in Westeuropa verstecken sich die Leute lieber, ich will gar nicht den Angriffspunkt geben, dann wird mir sofort unterstellt, ich will irgendwas beeinflussen oder sonst was. Deswegen ist ja hier dieses Stiftungswesen und Spenderwesen relativ unterentwickelt."

⁵²³ "Wenn man alles vorgesetzt kriegt und eigentlich weiß, man kann schon das nicht mehr erreichen, was die Eltern einem vorsetzen, wird man nicht glücklich. Das heißt, ich limitiere das, was die maximal kriegen, und der Rest, wenn der Staat uns den jetzt nicht wegbesteuert, was er nicht macht im Moment, dann geht es halt für gute Zwecke drauf. Aber wenn er das wegbesteuern würde, würde mich das auch nicht stören."

"a means only to an end. Abolishing inequality or getting maximum equality is not an end in itself for me. [The inheritance tax] is just a funding tool for other things that are meaningful." (ITV #15)⁵²⁴

Merit, merit, merit

No other positive narrative is mentioned as frequently as that of the principle of merit. Many of the actors relate their own experience to their fortune, and as the previous narrative analysis has also shown with regard to the instruments for reducing inequality: Education and merit are quite closely linked. Also overall, across the three groups, the narrative of meritocracy is the most frequently mentioned positive narrative. In the pro group, it is the second most frequently mentioned overall and follows closely in second place behind the economic narratives.

"I come from a very simple background, and when I look at what I have achieved now, compared to what ... the Albrechts and the Deichmanns and so on [have achieved], where the second generation no longer even works. ... I mean, that's light years of difference."
(ITV #15)⁵²⁵

In addition to personal achievement and pride, the role model function vis-à-vis the children is also cited. Actor #16 also makes this point clear: "I want my children to develop themselves" (ITV #16). But merit is also decisive on a social level:

"[W]hen my children look at what I've done, it's hard work. If you look there [at Aldi and Deichmann] into the second generation: That's just always been there. And there's such a perceived right that it should stay that way. There is no incentive to work for it, and that destroys our meritocracy from within." (ITV #15)⁵²⁶

In the inheritance of large fortunes, Actor #15 identifies the societal danger in that merit would no longer be worthwhile if one were to inherit large fortunes.

Beckert: opportunities and justice over family

The sample of respondents according to Beckert is unfortunately quite small. However, I was able to ask five of the six actors about their positioning vis-à-vis the principles: Which principle would

⁵²⁴ "Mittel nur zum Zweck. Also Abschaffung der Ungleichheit oder eine maximale Gleichheit zu kriegen, ist für mich kein Selbstzweck. [Die Erbschaftsteuer] ist nur Finanzierungsinstrument für andere Sachen, die sinnvoll sind."

⁵²⁵ "Ja. ... ich komme aus ganz einfach Verhältnissen, und wenn ich mir jetzt angucke, was ich erreicht habe, gegenüber dem, was ... die Albrechts und die Deichmanns und so weiter [erreicht haben], wo die zweite Generation schon gar nicht mehr arbeitet. ... Ich meine, das sind Lichtjahre Unterschied."

⁵²⁶ "[W]enn meine Kinder sich angucken, was ich gemacht habe, das ist harte Arbeit. Wenn man da [bei Aldi und Deichmann] in die zweite Generation guckt: Das war einfach schon immer da. Und da ist so ein gefühltes Anrecht, dass es so bleiben darf. Das heißt, da ist gar nicht mehr der Anreiz, dafür zu arbeiten da und das zerstört diese Leistungsgesellschaft von innen."

they most likely agree with? Interestingly: No one assigned himself to Hegel; one actor explicitly spoke out against it:

"I would reject the family principle. I have sympathy with the other three. I don't even have a ranking. So, I say, if the society principle works and people deal with it sensibly, then of course I don't need the others. If they don't do it, then to a certain extent, here again, according to the principle of chances and justice then we are halfway back to square one, as they say." (ITV #15)⁵²⁷

The most frequently mentioned were Buffet's principle of opportunities (three times) and Weber's principle of justice, for which three were definitely in favor, another found it good in parts, "whereas this one is only a final correction" (ITV #7). The principle according to Weber is understood by one actor as follows:

"I would choose the principle of justice. I also understand this to mean that the state then has the opportunity to use the additional revenue to finance equal opportunities, for example, in the sense of education and so on. Yes, justice principle!" (ITV #11)⁵²⁸

5.2.7 Summary: Economy Trumps Merit

What are the German economic elite's narratives on inequality, which instruments do they consider the best to reduce inequality, what do they think of the state, its role for the economy and society, taxes, the wealth tax, and especially the inheritance tax? Below, I summarize the main findings. As with the Mexican economic elite, my aim here is to highlight the narratives, not to place them normatively or within the scientific body of knowledge on the inheritance tax. In my conversations with the actors, I emphasized each time that there was no right or wrong. This, of course, also applies to the analysis. A comparison of the repertoires of narratives of the economic elites against the background of the scientific debate will be made in the final summary. But first I would like to put the different narratives on the concepts in relation to each other.

⁵²⁷ „Ich würde das Familienprinzip ablehnen. Mit den anderen dreien habe ich Sympathie. Ich habe noch nicht mal ein Ranking. Also, ich sage mal, wenn das Gesellschaftsprinzip funktioniert und die Leute da vernünftig mit umgehen, dann brauche ich natürlich die anderen nicht mehr. Wenn sie es nicht machen, dann sollte im gewissen Grade auch hier nach Chancen und Gerechtigkeitsprinzip wieder, wie man so schön sagt, ein halbes zurück auf Los gelten.“

⁵²⁸ „Ich würde das Gerechtigkeitsprinzip wählen. Ich verstehe darunter eben auch, dass der Staat dann die Möglichkeit hat, über die Mehreinnahmen zum Beispiel Chancengleichheit zu finanzieren, im Sinne von Ausbildung und so weiter. Ja, Gerechtigkeitsprinzip!“

Economic inequality

According to most of my interviewees, economic inequality is and will continue to be an increasing problem for society. For about one in five, inequality in itself is not problematic; what matters is more prosperity for all and good educational opportunities so that society as a whole can seize opportunities and perform well. However, as long as the population as a whole is better off and educational opportunities are open, so say 20 percent of the interviewees, inequality in society is the price to be paid for better development and for more prosperity for all. Education and merit are elemental in the narratives for all interviewees. Regardless of the attitude toward inequality, no other approach against inequality is mentioned so often: Education is key; equal opportunities and access to it are necessary. Accordingly, what matters in Germany is social mobility within society: If one can work one's way up regardless of socioeconomic background, a society is just and inequality is unproblematic. No one can or wants an equal society, but inequality in opportunities and education are bad for social cohesion and also for the economy. The role of the family and the values that stem from a familiar surrounding are of paramount importance.

However, many actors also see a problem in the course of recent developments as the division of society and its polarization have solidified. The media play a constituent role in this, they say, because they do not necessarily always just report, but in part create this feeling in society; media are not a mirror, but a creator. For many, however, this does not mean that this phenomenon should be neglected: If tensions arise, they will eventually express themselves. Structural and political factors, such as a change in tax policy, which nowadays places a greater burden on income than on wealth or income from capital, are mentioned and problematized quite rarely. Very few actors talk about the role of migration; only two actors talk about women and single parents. Inequality is predominantly considered on an individual or family level; on the macro level, the role of the state comes into play when it comes to the creation of opportunities and good education.

Tools for reducing inequality

Education. When asked about the instruments, education is not omitted even once. Some actors see it as the only instrument, others link it to concepts such as opportunities and the values that are created and lived through the family. School education alone would not be enough; it is necessary, but not sufficient. Teaching of a sensible work ethic and attitude also matters. The state could absorb a lot of what cannot always be passed on within families by offering all-day programs. At present, according to some stakeholders, the education system would tend to reinforce or even exacerbate inequalities, with the result that one's socio-economic origin would once again determine life chances to a greater extent than it did, for example, in the days of my interviewees' own academic and professional advancement.

Not only would children with a migration background have a more difficult time due to a lack of offers in schools, but wealthy people would also use their resources to open up better opportunities for their children. On the one hand, education is very important; on the other hand, poorer families are disadvantaged and cannot fully support their offspring, while wealthy families "invest" in their own children and grant them further privileges. The starting advantage that their own children have over children from poorer families is reflected critically by a few.

In addition to education and family, education and taxes are often mentioned together: for many interviewees, higher taxes and more investment in education are important. Philanthropy as an instrument hardly finds its way into the conversations. While one actor understood this to be the most important instrument, another started exactly there and stated emphatically that German society is selfish and that this mentality must be addressed.

The slow apparatus called the state

In principle, the state has important tasks to fulfill; in addition to providing good and better education, these include investing in the climate and providing a safety net so that no one has to suffer from starvation. However, the welfare state should not become too big, because otherwise the incentive to perform and work hard would get lost. As an economic actor, the state is too slow, bureaucratic, inefficient, and non-transparent. If most of the interviewees had their way, the state would withdraw from more areas and allow privatization. Many investments and innovations could be made much better by the market and companies than by taxpayers' money, for example, which would often seep into the system. Many stakeholders feel that the state is currently too concerned with collecting and redistributing taxes instead of providing incentives for greater meritocracy. In addition, there is a lack of respect and gratitude from the state toward those players who take risks and pay high taxes. The German bureaucracy is ineffective, performance-hostile, and unfriendly – for some even predatory.

Narratives about taxes: as complex as the system itself

When it comes to taxes in general, one can speak of different camps within the German economic elite: While some are fundamentally very skeptical about taxes and would cut them back further, others see taxes as an important means to an end, especially with regard to education; another group also sees taxes as a control element to reduce inequality. The issue is so complex that a simple classification into these three groups would not do justice to the complexity: some are fundamentally skeptical about taxes but would like to see more investments made using taxes with a view to education; or they see taxes as a means to an end for education, but also recognize inequities in the tax system that contribute to promoting and perpetuating growing inequalities. Still

others understand wealth inequality critically and would levy taxes on wealth, but only on inheritances, not, however, on business assets or wealth in general.

Those who are critical of taxes say that the state never seems to have enough. It is true that taxes are an important instrument that explains Germany's prosperity in terms of its existence as a welfare state. But in principle, taxes should be as low as possible and only as high as necessary. Private initiatives and those that should happen before taxes and transfers would be much more significant and better for Germany as an industrial location than high taxes and a fat welfare state that would undermine the work ethic of the population by taking away the incentive to perform. Moreover, if taxes were too high, they would be perceived as unfair by the wealthy and create incentives to avoid them.

Some see taxes as an important means to an end, for example to finance education. If the interest was in reducing inequality and advancing the country, more taxes would have to be collected and invested in education. The strongest actors should carry more of the tax-burden.

For about half of the interviewees, the most important issue about taxes is to establish tax justice and to understand taxes as a means of redistribution. The German tax system resembles Swiss cheese and is unjust because, for example, capital gains are taxed at a flat rate of 25 percent instead of being taxed progressively like income, and because taxes on income are levied too early and the progression should be steeper – including higher top tax rates for top earners. Taxes should not only finance and are not only a means to an end, but they should also redistribute more fairly and reduce inequality. However, in the case of income (and perhaps also in the case of inheritance taxes), not as a wealth tax.

Wealth tax: the most unpopular tax in the entire tableau

Not a single actor was neutral toward the wealth tax, let alone positive. Many narratives against the wealth tax were increasingly put forward, the emphasis was partly different, but none of the concepts discussed created more unity within the economic elite. Overall, the wealth tax would be a deprivation of freedom as people would not be free to decide what to do with their own wealth, whether to consume, save, or reinvest it. In principle, the wealth tax stifles investment, because funds must first be paid as tax, leaving fewer funds that can be used for other entrepreneurial or private purposes. The wealth tax is extremely dangerous because it directly taxes wealth, which endangers jobs in particular. Whenever wealth is taxed, companies are bled dry; it is wealth that jobs come from. In addition, a wealth tax is expropriatory, it is a double taxation and therefore unfair. Its design also shows how bad it is because it is complicated, ineffective, expensive, and – for all the aforementioned reasons – has historically proved to be a mistake for Germany.

The inheritance tax: merit is important, economy is more important

Overall, more than twice as many narratives about the inheritance tax were contra narratives. Out of 18 interviews, the ratio of narratives against strengthening the inheritance tax was seven to three. Eight of the 18 interviewees were against strengthening the inheritance tax. Within the contra group, there are also some pro narratives, but these rarely occur; four actors expressed purely negative views. I classified another four actors in the "ambiguous" group, with narratives overall more often contra than pro. For six actors, the attitude was clearly in favor of strengthening the existing inheritance tax, according to their own statements and according to the frequency of pro and contra narratives.

The range of narratives about the inheritance tax on the part of the German economic elite is considerable. As the chart clearly shows, a division into three groups makes sense. Thus, there is no homogeneous RON among German business actors.

The German economic elite may be sorted into three groups, and yet they have one common denominator: The most frequent narratives are those macrosocial narratives with an economic reference. Only among the "ambiguous" do narratives concerning the principle of merit occur more frequently. But even among the pro group, narratives about jobs, the middle class, and family businesses find their way into the conversations more often than other pro-inheritance tax narratives.

After the macrosocial narratives, value-driven narratives against the inheritance tax follow second most often, followed very closely by narratives that justify strengthening it. While on the contra side, narratives about the framework conditions occur most frequently (moderately overall), on the pro side, narratives that emphasize the merit principle are in the foreground (also moderately).

In third and fourth place, narratives involving property preservation and those involving dissatisfaction and suspicion are about equally frequent. Property preservation narratives often allude to foreign countries and emphasize how easy it is to escape inheritance tax. Regarding dissatisfaction, it is about privilege, but in double negation: there is dissatisfaction about how business assets cannot be treated in a privileged way. This must be done at all costs, because otherwise jobs and Germany's small and medium-sized business structure will be jeopardized.

Table 5.10: RONS of the German economic elite

<i>German Economic Elite (18) 2019-2023</i>	<i>Pro</i>		<i>Ambiguous</i>		<i>Contra</i>		<i>Total</i>	
	7, 11, 12, 13, 15, 16		2, 4, 5, 9		1, 3, 6, 8, 10, 14, 17, 18		1-18	
<i>Value based</i>	21	6	7	3	1	20	29	29
Fairness, Justice	3	1				4	3	5
Principle of Equality		1	1			1	1	2
„Oportunidades“	2		1			1	3	1
Principle of merit	9		5		1	3	15	3
Ownership Principle (Family)	1			3		2	1	5
Framework conditions	6	4				9	6	13
<i>Macrosocial</i>	8	13	1	5	4	27	14	46
Means to an end	3				1	1	4	1
Democracy	1				2	1	3	1
Inequality	3	1	1		1		5	1
Home ownership		2						2
Economic reference	1/1	0/10		0/4		5/14	1/1	5/33
- Jobs				1		5		6
- Middle sized businesses		6		1		4		11
- Familienbetriebe		4		2		5		11
Double taxation				1		6	1	8
socialism, communism								
Dissatisfaction and suspicion	8	5		5		11	8	21
Dissatisfaction						4		4
State budget	1					1	1	1
Philantropy		3		2				5
Corruption								
Lobbyism	1						1	
(Privileges) Rich	3					1	3	1
(Privileges) Business assets	3	2		3		5	3	10
<i>Envy and resentment</i>		1		1	1	7	1	9
Principle of justice						3		3
Envy		1				2		3
State begrudged				1	1	2	1	3
<i>Property preservation</i>	2	3		7	3	12	5	22
Principle of equality				2		1		3
Property principle				2		4		6
Wealth creation				2		2		4
Types of income								
Foreign dimension	2	3		1	3	5	5	9
TOTAL	39	28	8	21	9	77	57	127

	Pro		Ambiguous		Contra		Total	
	Pro	Con	Pro	Con	Pro	Con	Pro	Con
<i>Individual</i>								
Strongest	10	10	5	5	14	14	33	33
Strong	8-9	8-9	4	4	11-13	11-13	25-32	25-32
Moderate	3-7	3-7	2-3	2-3	4-10	4-10	9-24	9-24
Weak	1-2	1-2	1	1	1-3	1-3	1-8	1-8

<i>Categories</i>	Pro		Ambiguous		Contra		Total	
	Pro	Con	Pro	Con	Pro	Con	Pro	Con
Strongest	20	20	7	7	27	27	46	46
Strong	15-19	15-19	6	6	21-26	21-26	35-45	35-45
Moderate	5-14	5-14	2-5	2-5	7-20	7-20	12-33	12-33
Weak	1-4	1-4	1	1	1-6	1-6	1-11	1-11

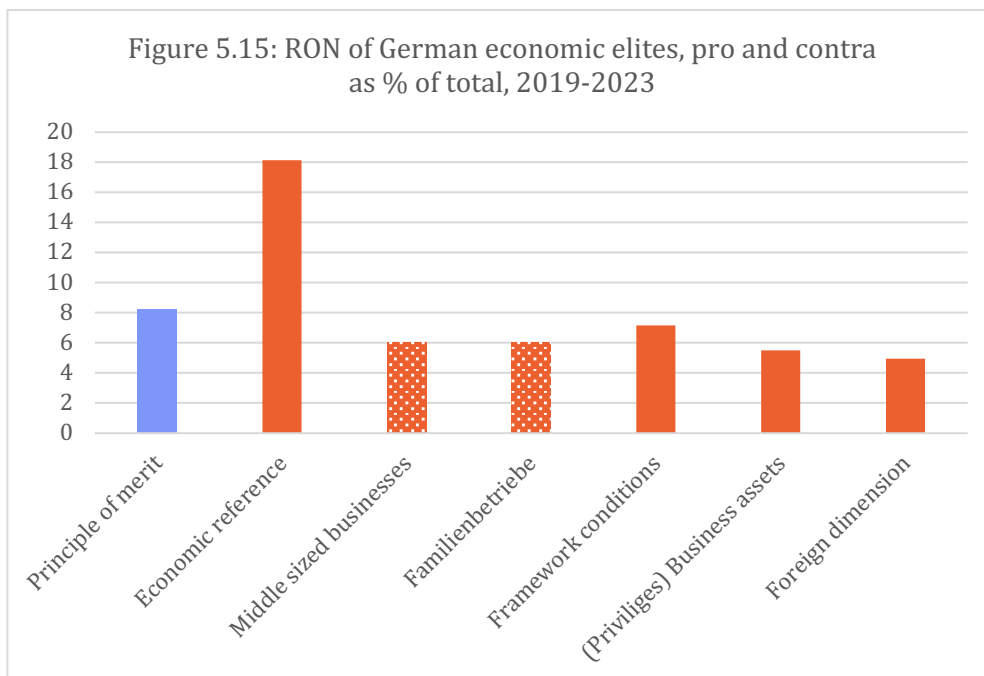
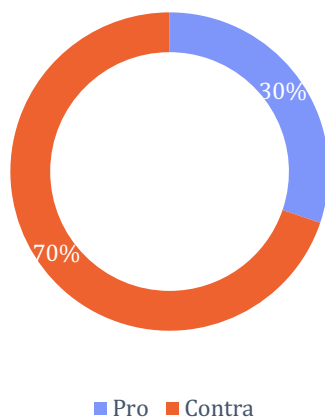


Figure 5.16: Share of pro and contra-narratives (%) of German economic elite, total



Group Contra: Bad for business and complicated

With eight out of 18 interviewees, the contra group was larger than the other two groups. Of these eight actors, half had not a good word to say, not a single positively set narrative about the inheritance tax cited. The actors named almost exclusively contra narratives. The most frequently mentioned narratives – 14 in all – were those related to the economy. Measured against this most frequent narrative, there were seven other narratives that were moderately frequent. But there were no other narratives that could be measures as strong compared to the strongest.

Among the pro narratives, there were comparatively only weak narratives. Strengthening the inheritance tax or even its existence would be bad for the German economy and for society because it would "destroy the German family-owned middle class" (ITV #3) and endanger jobs. In addition, it is complicated and at the same time unfair. It is therefore only logical to circumvent it by legal means, such as simply making a gift or shifting capital abroad.

Dissatisfaction with the state as an actor is often linked to its greed. The state is not only inefficient in handling funds that private actors would know better how to dispose of by investing their money well. The state also does not know how to handle the funds and simply does not get enough. In addition, the population is envious: these debates are led by those who do not inherit anything and want to tax those who have a lot to inherit (ITV #14). At the same time, the inheritance tax would represent a double taxation on the income earned by oneself and would restrict the freedom to dispose of one's own assets.

Group Ambiguous: The principle of merit counts, but the economy must function

A small group fluctuates so strongly between pro and contra that they defy classification into these two groups. Simply looking at the moderate, strong, and strongest narratives would suggest an assignment to the contra group. However, in contrast to the contra group, more value-based narratives overall found their way into their reflections. No narrative has been emphasized as frequently and strongly as the merit principle.

Contra narratives are cited in a ratio of seven to three. The most commonly cited are economy-related; in addition, property is viewed in family terms, and property preservation narratives are also important. In this sense, wealth taxes are to be understood critically. While wealth taxes should generally be viewed very critically, this would be different in the case of inheritance tax, since it deals with non-performing assets. Inheritance tax could serve to create a "corrective mode" (ITV #5) to move away from the trend toward inheritance companies.

However, it is essential to distinguish between private and business assets. After all, when it comes to business, "you shouldn't slaughter the cow just so there's a little meat" (ITV #4). Business assets should be treated differently and other options, such as philanthropy, could also help to counteract the division of society, without having to curtail property rights.

Group Pro: Operating assets must not take precedence over the principle of merit

Six of the 18 interviewees were clearly assigned by me to the pro camp. Looking at the frequency of the pro and contra narratives makes their assignment comprehensible: With a ratio of 38 to 29 narratives, the bias toward positive narratives is quite clear. Although, individually, economy-related narratives are cited most frequently, the overall focus (as with the ambiguous group) is more on value-based narratives – in contrast to the macrosocial ones, which are cited much more frequently by the contra group.

Property-preserving narratives are hardly mentioned; asked about Beckert's principles, the principle of Hegel, according to which wealth was understood in familial terms, was correspondingly unpopular. In a meritocracy, it is the merit of the individual that counts, and the existing privileges for the rich and for business assets currently go too far. It must be possible to pay attention to business assets and the German middle class; "that's a tough cookie" (ITV #7).

But at present, inequities in the tax system and in inheritance tax are problematic, and inheritances must be taxed more heavily. They are harmful to the democratic cohesion of society and to Germany's economy, which runs the risk of further deepening inequality through existing injustices in the system, further undermining the merit principle and strengthening the trend toward inheritance societies.

5.3 Final Comparison of the Narratives of Economic Elites in Mexico and Germany

The economic elites are important actors; some sociologists speak of them as being the most dominant among the various elite sectors (Hartmann 2018, 399). As Moraes Silva et al. describe, it is unfortunate that they are often considered as a homogeneous group. The narrative analyses of Mexican and German economic actors have shown that such a simplification does not do justice to the group: a distinction into contra, ambiguous, and pro inheritance tax reveals the different attitudes and RON towards the inheritance tax. But how do the RON of these groups compare across countries? What do they have in common and where can differences be identified?

5.3.1 Contra: The Economy is Where the Music Plays

Half of all the economic actors interviewed are against an inheritance tax: 19 out of 38 are clearly against establishing or strengthening the inheritance tax. In both countries – Mexico and Germany – the opposition is very clear: In Germany, the contra-narratives of the contra-group make up 90 percent of all narratives; in Mexico, this is the case for 85 percent. The characteristics of the narratives are very similar, especially in the category of macrosocial narratives. Both groups use as the most frequent narratives those related to the economy and cite very few positive narratives related to possible means to an end that could be financed, to democracy, and to inequality.

Apart from these commonalities, a closer look at figure 5.19 on page 413 reveals how different the RON of the Mexican and German business elites in the contra camp are. Even within the category of macrosocial narratives, the distribution is quite different. In Mexico, the focus is more generally on economic aspects. Primarily, they say they are "in favor of the economic development of society ... it's a matter of economic efficiency" (ITV #39)⁵²⁹. Moreover, they say, potential revenues from the inheritance tax are only *un pedacito* and thus not a relevant instrument to reduce wealth inequality. The fact that the economic narratives in Mexico are more general could be due to the fact that the inheritance tax has not existed for more than half a century and corresponding debates have only emerged marginally in recent years. Accordingly, the narratives are not very differentiated.

In Germany, macrosocial narratives are very pronounced in economic terms: jobs, the middle class, as well as family-run businesses would be heavily burdened and this burden would be borne by all. Above all, jobs would be lost. The German middle class would be bled dry (ITV #3). Double

⁵²⁹ "Mi punto no es que esté en contra del impuesto a la herencia, mi punto es que estoy a favor del desarrollo económico de la sociedad ... es un tema de eficiencia económica".

taxation is also frequently cited. The income earned by a company is already taxed, and taxing it again is seen as being "really perverse" (ITV #14).

In Mexico, unlike in Germany, the narrative of double taxation is hardly used. In Mexico, the focus is on the fact that any form of taxation on wealth is economically harmful and that income or consumption is what should be taxed. But these narratives come up in the discussions about the wealth tax. In Germany, on the other hand, one's own performance behind savings is more often added to the narrative of double taxation. More so than in Mexico, especially in Germany, many actors in the economic elite are first-generation academics and strongly emphasize their own achievements in their careers. In Mexico, many interviewees come from wealthy backgrounds; not all, but more actors are in high positions in the x-th generation.

The greatest differences can be seen in the category of value-based narratives: While the German business actors in the contra group set almost no positive narratives at all (only one of 21 narratives is framed pro), among the Mexican contra actors the ratio of contra to pro narratives is four to three. The Mexican business elite acknowledge justice aspects, according to which an inheritance tax could be fair, and talk about *oportunidades* being important in a just society. In the case of the value-based contra-narratives, a very different picture also emerges: the Mexican elite focuses almost entirely on the framework conditions, which would not permit the establishment of an inheritance tax, while the German actors also talk about the framework conditions, but furthermore cite aspects of injustice, emphasize the performance of the testators, and also frame wealth in family terms.

Particularly striking between the Mexican and German contra groups are dissatisfaction and suspicion. The German actors moderately often mentioned the privileged status of business assets, which would speak against an inheritance tax; some express their dissatisfaction with the state, especially with regard to its inefficiency. Mexican actors still spoke much more frequently of philanthropy, which stems from their distrust of the state: "Every new tax on wealth, on inheritances, etcetera, is taking away the productive part to go to subsidize corruption and inefficiency in government" (ITV #39). On the other hand, they would place greater trust in economic actors: "Creating foundations and making donations is much more effective" (ITV #26).

In regards to property-preserving narratives, the two groups also diverge: while the Mexican contra group speaks of fugitive capital, of the numerous ways in which wealth can be easily and quickly moved abroad, the Germans mention foreign countries less frequently. What they do agree upon is that "it is bad to tax wealth" (ITV #23)⁵³⁰ because "[a]ssets don't equal liquidity" (ITV #17)⁵³¹. A final minor difference is in the category of envy and resentment. The so-called "envy debate" (*Neiddebatte*) is not conducted in Mexico, whereas the German business elite mentions envy and resentment of citizens and the state with moderate frequency.

⁵³⁰ "está mal que grabes la riqueza."

⁵³¹ "Assets do not equal liquidity."

5.3.2 Ambiguous: Value-Driven Narratives Make the Difference

The ambiguous group is the smallest of the three groups identified in both Mexico and Germany. In total, eight of the 38 interviewees belong to this group. Even though both groups each named more contra-narratives, what distinguishes them in both cases is that in the values-driven category, the pro-narratives outweigh the contra-narratives. But again, the differences are much more pronounced, within the values-driven category too. For while the Mexican economic elite primarily brings *oportunidades* into play, and fairness and justice as the second most frequent narrative, on the part of the German economic elite within this group it is the performance principle that counts. In Germany, performance should be rewarded. In Mexico, equal opportunities should be provided.

Almost without exception, the Mexican economic elites stated that they do not trust the state and that the implementation of the inheritance tax would be extremely difficult if not, in view of the given circumstances, impossible. Since wealth is viewed within the family context, they recognize the contradictions in their own narratives regarding *oportunidades*. On the one hand, they are interested in supporting their own family and children, but this contradicts the principle of chances; as one interviewee said: "I am troubled" (ITV #32). Among the German economic actors, there is an overall focus on economic narratives, but even more so on property-preserving narratives. This is the "casus cinctus" (ITV #5) for the German actors who can neither be assigned pro nor contra. They recognize a solution to the perceived inconsistency in the distinction between business assets and private assets. For in this way, assets that have not been earned would be taxed by the heir (performance principle), while the privileging of business assets would not harm the economy (economic reference and property preservation).

5.3.3 Pro: The Greatest Similarity within All Groups

An interesting finding is that, of all the groups, the pro-actors are the most similar. They have the same frequency of narratives in almost all narrative categories: the value-based pro narratives are emphasized the most, while the value-based contra narratives are moderate in each case. The macrosocial narratives are used second most often; moderate in each case in Germany, weakly pro in Mexico. Dissatisfaction and suspicion are slightly more common in Mexico, where there were stronger pro narratives overall; they were moderate in each case in Germany. Property preserving narratives hardly occur in both groups, envy and resentment are hardly existent (only once a contra-narrative was cited within the German pro-group).

However, a look at the distribution in the categories reveals that differences exist. Among the value-based narratives in Mexico, the principle of merit was the strongest, followed by

oportunidades and the principle of equality. Someone who has inherited has done nothing to obtain this wealth and the state should intervene at this point and levy taxes at the moment the wealth is transferred. This would lead to a fairer society in terms of equal opportunities. In Germany, on the other hand, the focus is clearly on the principle of merit, followed by the framework conditions. A challenge is moderately often seen in both cases in the framework conditions. However, while in Germany this is aimed at "another tax loophole madness" (ITV #12), the Mexican pro-actors consider the implementation in their country to be very difficult to impossible.

Macrosocial pro-narratives are hardly set in Mexico; inequality is mentioned only once and only once is consideration given to how revenues could be used. In Germany, these two narratives occur moderately frequently. More pronounced in this category are the contra-narratives: in Germany, narratives with economic references are the most frequently cited, with medium-sized enterprises and family businesses mentioned particularly frequently.

For dissatisfaction and suspicion, there are three narratives on each side that occurred moderately frequently. While satisfaction and dissatisfaction are nearly balanced in the Mexican pro group, it is stated that business assets should be taxed. However, care would have to be taken to ensure that taxation would not drive them to ruin. In Germany, the thinking is similar; the interviewees emphasized that considerations of business preservation must not stifle the debates. These are questions of technical design. However, in principle, one should think about large estates in the case of an inheritance tax. Another idea is to "put social pressure on the highly wealthy ... to do more good things with their money" (ITV #15). Philanthropy would be a possibility in addition to an inheritance tax.

5.3.4 Total: Differences within Countries are Greater

When the narrative analyses of the Mexican and German economic elites are placed side by side, a closer look reveals that the narratives tend to be similar in some cases, but the differences between the various narratives outweigh the similarities. When comparing the countries, the differences do not seem particularly large (see figures 5.17 and 5.18 on page 412). When viewed individually according to the three groups contra, ambiguous, and pro, however, it can be said that the differences within countries are greater than the differences between countries (see figures 5.19 and 5.20 on pages 413-414). Actors in the pro groups are more similar to each other and would arrive at similar RONs, as would actors in the contra group. The Mexican and German economic elites have more in common with their respective pro, ambiguous, or contra groups counterparts in the other country than with their own compatriots.

However, there are some country-specific characteristics where the commonalities within countries are greater. In Mexico, the most common pro-narrative is that of *oportunidades*; in Germany,

more emphasis is placed on *Leistung*. These different principles can be explained by the different biographies. In Mexico, the focus is fundamentally on opportunities (everyone should have them in prospect); these are elementary. If one would now assume that the actors infer from themselves to others, this prioritization makes sense. Judging by the fact that most of the interviewees were already born into high social classes, their chances for participation in the circles of the economic elite were disproportionately higher. In Germany, on the other hand, the emphasis is on performance, which is particularly strong in the current generation according to the self-description of the economic elites (often first- or second-generation academics). Opportunities, it seems, were more evenly distributed in the environment of the economic elite interviewed; the decisive factor was rather performance, ambition, and one's own diligence.

The Mexican economic elite is against an inheritance tax primarily because of the difficult framework conditions and economic reasons; among German actors, it is those with an economic reference that shape the RON by a wide margin above all other narratives. Particularly striking in Mexico is the enormous dissatisfaction with the state and politicians – a real anti-state attitude. This dissatisfaction and distrust feeds the idea that philanthropy would be a much more appropriate means of reducing inequality. On the part of the German economic elite, dissatisfaction with the spending side of the state is also mentioned, but even more frequently is the importance of giving privileged treatment to business assets stressed. The envy debate is a purely German phenomenon. In Mexico, envy is not implied. And while foreign countries and context were mentioned a few times in Germany, it was frequently referred to in Mexico: The state is so weak in its implementation of tax policy that it would be too incompetent to prevent the rich from moving their assets out of the country.

Conspicuous that it is missing

There are also some aspects that received little to no attention in both groups of actors. Only rarely are marginalized or discriminated groups that inherit less frequently mentioned. In Mexico, for example, no actor talks about *indígenos*, about the inequality between people that appear to have European ancestors in comparison to Mexicans with indigenous heritage. The gender question is also rarely raised: Very few actors in our interviews talked about the economic inequality that exists between men and women; LGBTQIA* people are not mentioned at all. The same holds true for Germany: Hardly anyone spoke of their own accord about gender inequality or, for example, the difference between inheritances and gifts between East and West Germans. I do not want to imply that my interviewees did not think about the forms of horizontal inequality; our conversations were quite brief. Few, however, were concerned enough to raise these aspects, and so I would assess that structural horizontal inequalities in terms of intersectionality are not high on the priority list of economic actors' thoughts.

Another commonality that found no resonance in the discussions was historical considerations. There were stakeholders who recognized injustices in the current tax system.; these injustices were addressed many times. However, questions of redistribution in the sense of correcting historical injustices were not considered by anyone. Considerations of policy instruments started with the status quo and were intended to intervene moderately if inequality was seen as problematic. Instruments such as those proposed by the ordoliberal Alexander Rüstow, who once suggested a 100 percent inheritance tax, or progressive high inheritance taxes regardless of family status, as suggested by Nicolas Kaldor, were not considered by anyone.

Figure 5.17: Country comparison – RONs of Mexican and German economic elites, pro and contra as % of total, 2019-2023

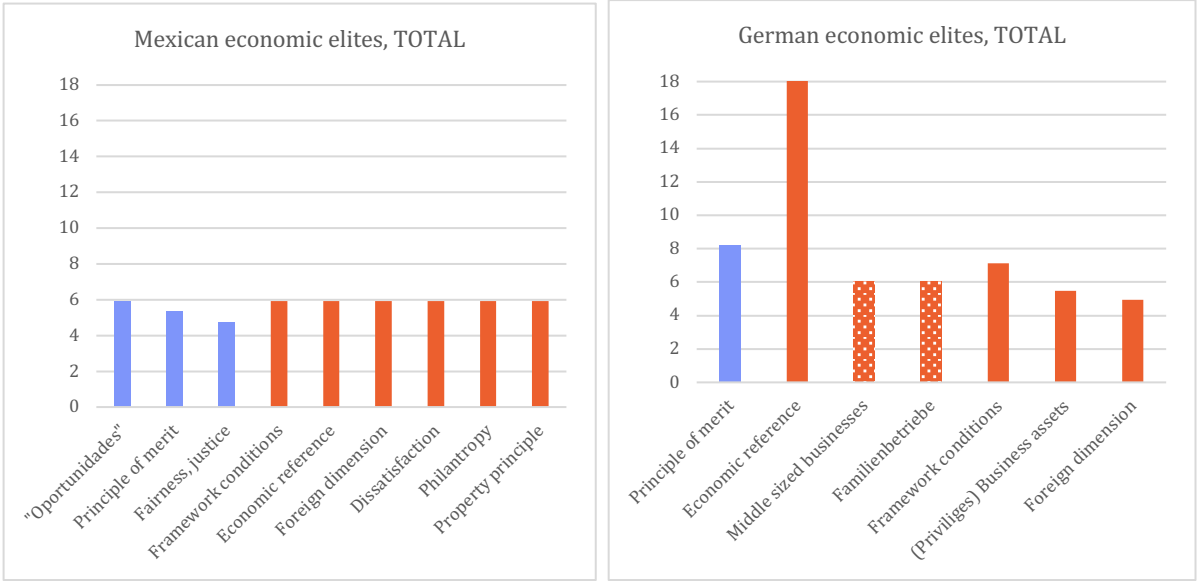


Figure 5.18: Country comparison – share of pro and contra-narratives (%) of Mexican and German economic elites

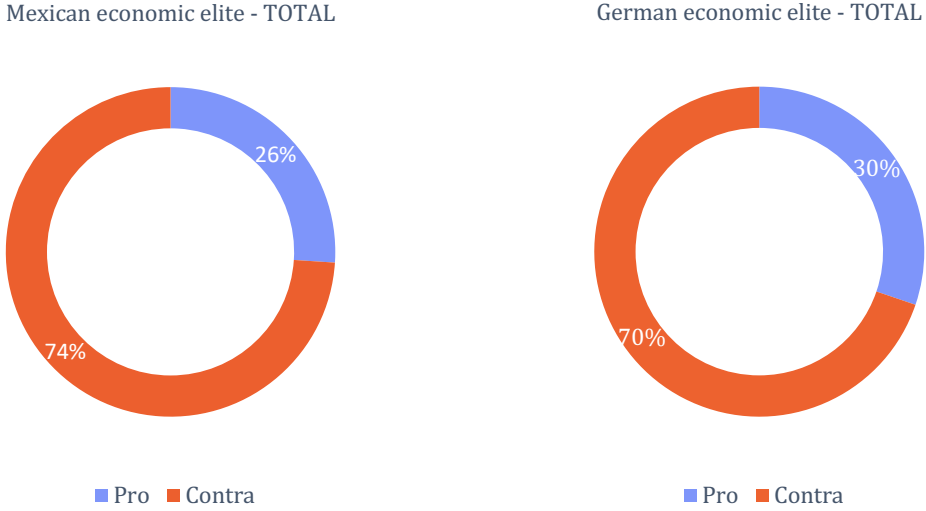


Figure 5.19: RON of Mexican and German economic elites, pro and contra as % of total in the groups contra, ambiguous, and pro, 2019-2023

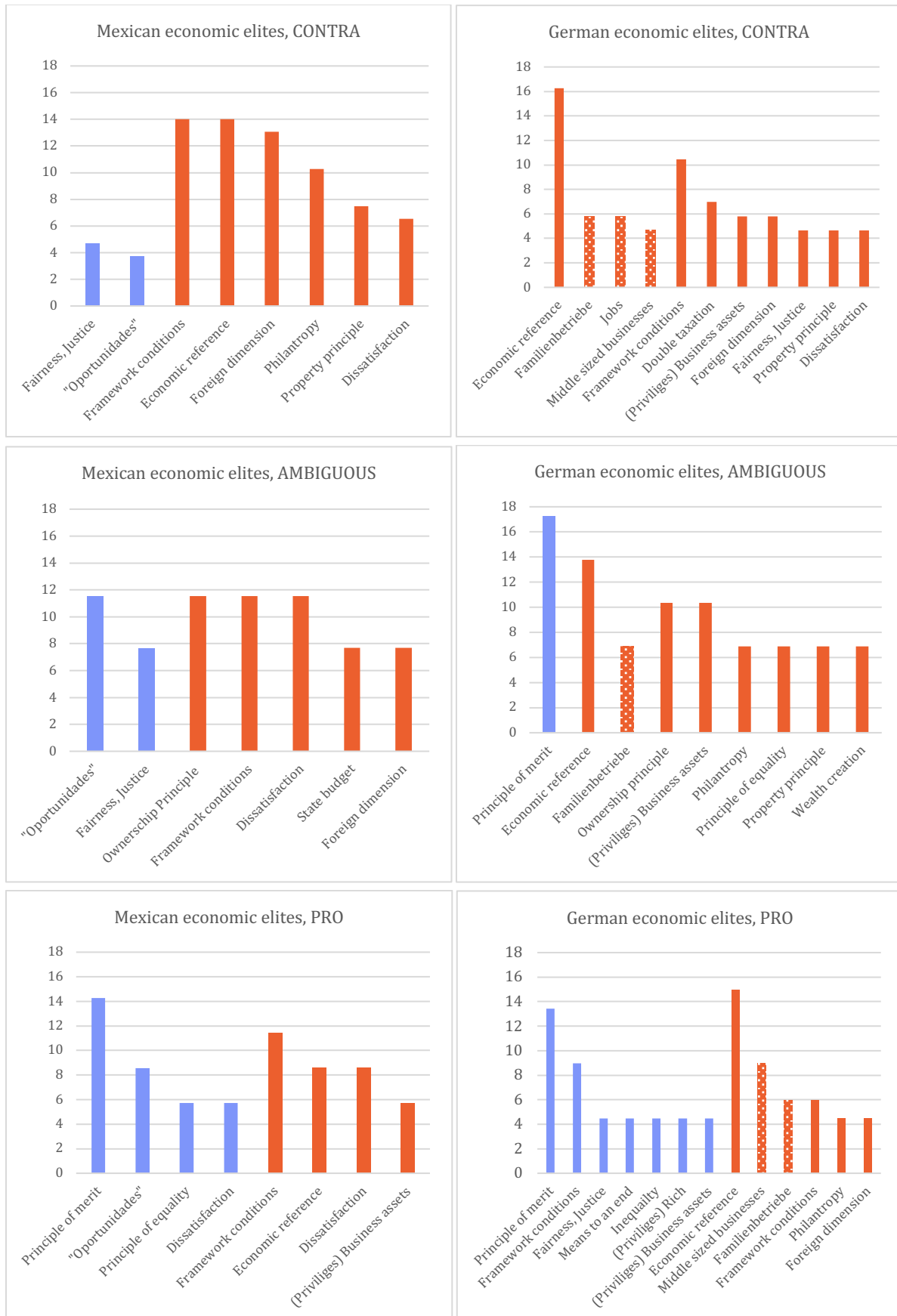
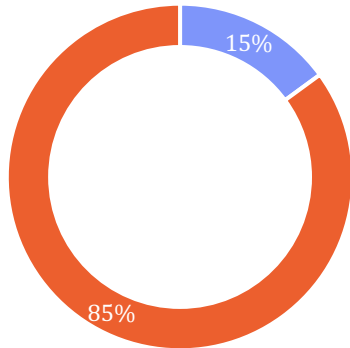


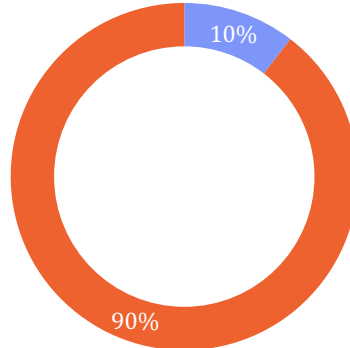
Figure 5.20: Share of pro and contra-narratives (%) of Mexican and German economic elites, 2019-2023

Mexican economic elites, CONTRA



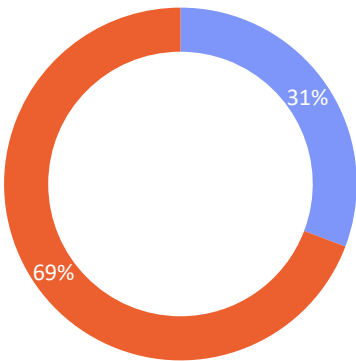
■ Pro ■ Contra

German economic elites, CONTRA



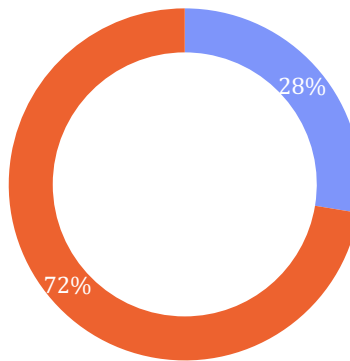
■ Pro ■ Contra

Mexican economic elite, AMBIGUOUS



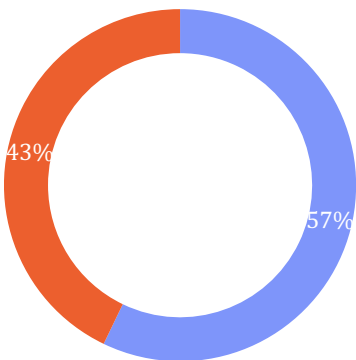
■ Pro ■ Contra

German economic elite, AMBIGUOUS



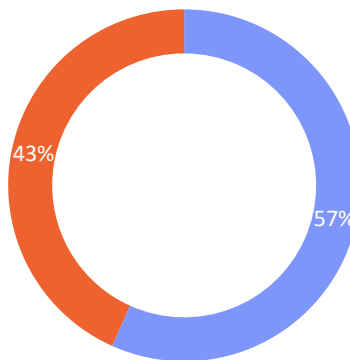
■ Pro ■ Contra

Mexican economic elite, PRO



■ Pro ■ Contra

German economic elite, PRO



■ Pro ■ Contra

5.3.5 Conclusion and Outlook

The analysis of the narratives of the economic elites clearly shows that the economic actors are not a homogeneous group of actors. In their attitudes toward the state, inequality, taxes, the wealth tax, and the inheritance tax, the complexity, breadth, and depth within this group becomes apparent. There are different RONS on the inheritance tax both within countries and between states. Differences within Mexico and Germany are greater than differences between the two states. But there are also state-specific differences that enter the RON. These research findings are relevant to political science in several respects: If it is of interest to understand and assess a country's economic elite, it is of utmost importance to analyze it as closely as possible. This endeavor is difficult, but necessary when measured against the research findings.

Every society has its legitimations for inequality and taxes; the same is true for economic elites. In order to understand these legitimations, it is important to recognize the interplay of the different narratives, the RON, which explain why and how the actors stand on the inheritance tax. This was precisely the goal of this research: Of interest was to answer the question of what the economic elite's narratives on the inheritance tax look like and which narratives interact in which frequency. In this way, a targeted country-specific examination of the most important narratives is now possible. Based on these research findings, it would be an exciting and important endeavor to next examine which of these narratives are based on empirical evidence, which are a matter of political attitude or morality, and which turn out to be myths. Both the analysis of the interviews and the interviews in anonymized form should expand the possibilities of being able to take an informed look at possible research projects and communication strategies on the inheritance tax.

5.3.6 A Preliminary Critical Evaluation of the RON

The distribution of weights, i.e. which narratives occur how frequently and their interplay in terms of the composition of the RON, is a new insight that I could not have hypothesized in such detail. In particular, the country specifics – the emphasis on opportunity in Mexico and performance in Germany, for example – are small, subtle, but important differences. And yet the narratives in detail can be found many times in political, policy, and economic as well as philosophical works on the subject.

Spencer Bastani and Daniel Waldenström (2021) present in their survey in Sweden the importance of information on the link between inheritances, wealth inequality, and the concept of inequality of opportunity. Without knowledge about the salient importance of inherited wealth, social acceptance of the inheritance tax tends to be low. Once respondents receive research-based facts about the role of inheritances in terms of wealth inequality and the link to inequality of opportunity, they change their attitudes significantly (Bastani and Waldenström 2021, 564). This is an interesting finding in that it argues against Mark Blyth's purely discursive argument that

empirical facts alone are negligible. Perhaps one way of reconciling Bastani and Waldenström's findings with Blyth is that deep engagement with the complexities of inheritance taxation and wealth inequality has often not occurred. This is suggested by the conversations with my interviewees, the evaluation of the frequency of debates in Mexico and Germany (almost nonexistent to sporadically low), and the survey in Sweden. In any case, however, an examination of the narratives is important; through them it is possible to assess which anomalies need to be demystified in terms of a long-standing communication strategy and refuted empirical findings, which aspects are parts of political debate in terms of values and norms, and which narratives scholarly projects could devote more attention to.

Since I was familiar with the debates surrounding the inheritance tax, I spoke with experts in both countries about the narratives. In addition, there is literature that explicitly addresses some aspects of the pro and contra narratives. Of particular note is the OECD's report *Inheritance Taxation in OECD countries* (OECD 2021). In addition, the historical analysis also allows for some important assessments. Some narratives can also be tested by studies on individual aspects, such as whether social mobility is high or low. With the evaluation of the RON, it is now possible to focus on the many aspects related to inheritance and inequality according to the distribution within the repertoires. Unfortunately, a detailed and profound examination of all narratives would go beyond the scope of my dissertation.⁵³² However, some preliminary critical thoughts based on the historical analysis, the current state of knowledge, and recent data on important aspects on the most important narratives is included hereinafter.

Meritocracy is not the solution

Most interviewees in both countries see growing levels of inequality as a problem; for the most part, they would counter it with education. This was the most frequently mentioned instrument for reducing inequality, both in income and wealth. The economic elite's recourse to the importance of education for their careers is understandable because it is fed by their own biographies. Even if economic actors in Mexico are not first-generation heads of large companies and come from wealthy families, they have all studied, many of them at top universities such as ITAM in Mexico and Harvard in the United States. For them, education and their networks were a sufficient condition for their position. In Germany, many of my interviewees are first-generation academics. Their wealth (on average and by their own account) is self-generated and not inherited. A rich or wealthy family was not a necessary condition for them; in their generation there was an even stronger (as Hartmann shows, also in the past not absolute, Hartmann 2000, 77) elevator effect according to Ulrich Beck (1986). However, no generally valid conditions for the rest of society can be drawn from the biographies of economic elites. Statistically, inheritances and gifts

⁵³² A detailed and country-specific examination would be an exciting research project. This is planned as part of the "Deserving Rich" project with Stefan Gosepath, Philipp Lepenies and Christian Neuhäuser and is gratefully supported by the VW Foundation as part of a four-year research project (2023-2026).

continue to increase in importance as a share of total wealth, and one's own education and performance continue to fade into the background.

The narratives of performance and opportunity are critical for four reasons. First, because Mexico and Germany are statistically inheritance societies, not achievement societies. More than half of all wealth is inherited or given away. That the inheritance issue will continue to become pressing and inheritances will account for a larger share of total wealth is evidenced by DIW surveys on the demographic structure of Germany's wealthy: 39 percent of the wealthy⁵³³ are 50 to 64 years old and 38 percent are over 65; among millionaires, these numbers are 37 percent and 40 percent, respectively (Schröder et al. 2020, 321). To put it in a nutshell: The generation of the economic miracle is now bequeathing its savings to the baby boomers.⁵³⁴ Second, because more achievement, opportunity, and education could not reduce extreme wealth inequality: as long as r is greater than g , the gap between the haves and have nots will continue to widen, as in the current tax system returns from capital are unequally higher than economic growth. The inherited sums of wealth cannot be countered with diligence, at least as long as capital is taxed less than income from wage labor and inheritances, i.e. the passing on of assets, are hardly taxed at all (Piketty 2014, 377-378). Third, education can be no more than a vague promise for the future, but extreme wealth inequality is currently an acute problem. Fourth, as Daniel Markovits, a law professor at Yale (Markovits 2019), Michael Sandel, who teaches philosophy at Harvard (Sandel 2020), and Oliver Nachtwey, sociology professor at the University of Basel, show: "Meritocracy is not the solution to rising inequality but rather its root" (Markovits 2019, 18). As Nachtwey aptly puts it:

"The problem is that justice policy is narrowed to this question, because radical equality of opportunity reduces justice to the horizontal logic of inclusion and equal treatment. The vertical logic of redistribution is increasingly ignored. ... Even in a formally equal opportunity system, the prospects for children of rich and educated parents remain better in the end. ... Equality of opportunity is ... the principle of justice in an individualized society ... and ultimately social and solidarity ties are undermined." (Nachtwey 2017, 112-113)

Achievement, opportunity, and education are important elements of a just liberal and democratic society. I certainly do not want to cast doubt on this. But they are not a panacea. "Education," as Martin Schürz says, "does not provide a solution to a problem of abundance. Education does not challenge over-wealth, but distracts from it" (Schürz 2020, 97). If the problem lies in extreme and growing wealth inequality, the answer does not lie in education.

⁵³³ Defined according to DIW 2020: 76th to 98.5th percentile, with an average net wealth of approximately 300,000 euros.

⁵³⁴ This passage was first published at Finanzwende Recherche, see Linartas 2022.

Mexico: breaking vicious circles

The most frequent contra narratives in Mexico refer to the poor framework conditions that would not allow the establishment of an inheritance tax. In Mexico's last major tax reform in 2013, the inheritance tax was not on the agenda. As Miguel Messmacher Linartas, then subsecretary of Finance, reports,

"we came to do a technical analysis and reviewed whether we thought it was a good idea to have a tax on inheritances. And at the time, we came to consider that technically it was going to be complicated and that's why we decided not to include it."

(ITV Messmacher Linartas 2020)⁵³⁵

The introduction of the inheritance tax appears to be very complicated and difficult. Historical analysis has shown that, at the time of its existence, an equalization of the inheritance tax across the states was not achieved. A look at the low redistributive effects of income tax also shows that Mexico has never had a strong and well-developed tax system at any time in its history. Not only that, but in the OECD comparison Mexico is at the bottom with a tax-to-GDP ratio of 17.9 percent (OECD 2021b, figure 1.4). Gabriel Ondetti's analysis shows how tax-to-GDP ratios in Mexico and other Latin American countries changed over the course of the twentieth century. While they increased moderately to strongly in countries such as Brazil, Uruguay, Argentina, and Chile, tax revenues as a share of GDP remained almost unchanged at a very low level in Mexico (Ondetti 2017, 51).

Not only do tax revenues turn out to be very low, but the redistributive effects are also very small (as shown for income in figure 4.9 on page 138). The question now is what came first: a weak state that is incapable of collecting taxes, or the low tax revenues that condition the incapacity? A high informality of the economy and a weak state that does not know how to prevent it, or a financially weak state that cannot establish means and incentives to prevent *informalidad*? Regardless of the answers, these vicious circles exist. Regarding large estates and corporations, the Mexican Tax Administration Service (SAT) has been eager in recent years to make large corporations pay their taxes. A first, important step – according to some interviewees – has thus been taken. But to catch up with other OECD countries, they would have to wear seven-league boots. Even Salvador and Honduras have higher tax-to-GDP ratios (Ríos 2020, 135). Higher tax compliance has been worked toward in the past and internationally through legislation. As a reminder, high fines and prison sentences would not be a novelty in Mexico.

Other narratives often mentioned are those aimed at the economy. Many economic actors stress that an inheritance tax would be bad for the economy and that possible revenues from the inheritance tax would only be *un pedacito*, thus not being a relevant instrument to reduce wealth

⁵³⁵ "llegamos a hacer un análisis técnico y revisamos si nos parecía una buena idea un impuesto sobre las herencias. Y en su momento, llegamos a considerar que técnicamente iba ser complicado y por eso decidimos no incluirlo."

inequality. It is true that the inheritance tax generated little revenue shortly before its abolition – only 0.3 percent of the central government tax collection of 1960 (Sommerfeld 1966, 106). But tax revenues are a matter of how a tax is designed. In an OECD comparison, tax revenues from the inheritance tax vary widely; 24 of the 36 states levy this tax, while the OECD average was 0.5 percent of total tax revenues (OECD 2021a, 9). Yet this is precisely where the OECD sees the problem and explicitly advocates "to make greater use of well-designed inheritance and gift taxation" (ibid., 137). I spoke with a Mexican expert on this issue and asked for his assessment:

"That [Mexico has] a low level of collection, this is partially true, but it is a question of the design of the tax and how it is implemented. It does not generate immediate effects. But ... this is seen in the continuity and I don't think it would generate negative effects for the economy in terms of investment savings." (ITV #43)⁵³⁶

In addition to the general conditions and the economic aspects, the distrust and the enormous corruption in Mexico are frequently mentioned. According to Transparency International's Corruption Perceptions Index, Mexico ranks 124 out of 180 (Transparency International 2021, 3). There is not much to add to this. Not only the economic elite, but also the politicians and experts interviewed speak of a high level of corruption, which, although difficult to measure, is undoubtedly a major problem in Mexico. As long as more transparency is not achieved in decision-making processes and the implementation of political projects, tax increases are generally difficult to bring about. Once again, we come up against the question of which came first: weak structures and therefore high corruption, or high corruption and therefore weak structures?

The narrative of capital flight is also related to the weak structures and low tax compliance. Numerous interviewees spoke of how easy it was to move capital out of the country; Viri Ríos, on the other hand, speaks of how this is not necessary because Mexico itself is a fiscal paradise (Ríos 2021, 135). I can only repeat myself at this point: In this respect, too, the success of a tax depends not only on political will, but on the equipment of the SAT and legislation in terms of strong sanctions and penalties. Most recently, Mexico has taken it upon itself to tax large corporations. In the case of inheritances, this could also become a declared goal. The design of the inheritance tax could also help prevent the loss of revenue through capital investment abroad or departure from Mexico. The United States, for example, links payment of the estate tax to citizenship, and foreign tax laws, such as those in place in Germany, France, or Belgium since the 1970s (Buggeln 2022, 733-734), as well as double taxation agreements, can help combat tax avoidance and evasion. Tax policy is a highly complex matter; what I am pointing out here are merely buzzwords. But they show that, in the past and present, politicians have been willing and ready to create institutional networks.

⁵³⁶ "A que tiene un bajo nivel de recaudación – es parcialmente cierto, pero es un tema del diseño del impuesto y como se implementa. No genera efectos inmediatos. Pero ... esto se ve en la continuidad y no creo que genere efectos negativos para la economía en términos del ahorro de inversión."

A final aspect that has often featured in narratives in Mexico and Germany is the view that taxing wealth is generally bad. In C21, Thomas Piketty laid out what happens when wealth (r) grows faster than the economy (g) as a whole. According to the formula $r > g$, the spread gets wider and wider. As one interviewee said, this is eighth-grade mathematics – plain logic. But Piketty has fed this mathematical formula with data for many states and over more than a hundred years. Meanwhile, you can look at the website of the World Inequality Database to see how income and wealth inequality has changed over the past few decades in a wide range of countries. Many of the OECD countries have levels of wealth inequality last seen at the beginning of the twentieth century. There are no official wealth data or studies on wealth distribution for Mexico, but as Castañeda Garza and Krozer show, Mexico is also where it was at the beginning of the twentieth century in terms of wealth inequality (Castañeda Garza and Krozer 2020, 30). According to research findings, the main reason for the reduction in wealth inequality was that wealth was taxed heavily and progressively (Piketty 2014, 373-374; Albers et al. 2020, 23), which is why various progressive economists and historians emphasize the importance of progressive taxes on wealth (e.g. Saez and Zucman 2019, ch. 7; Buggeln 2022, 921). In its report *Inheritance Taxation in OECD countries*, the OECD presented the likely evolution of big fortunes and inheritances (defined as 10 million dollars or more) if these are not taxed at a high and progressive rate. In a conservative simulation, they calculate what happens with a 7 percent return on capital if inheritances are divided between two children within five generations and no taxes are levied: "it grows from an initial USD 10 million to over USD 50 billion" (OECD 2021a, 50). Thus, they conclude, "a progressive inheritance tax and a wealth tax may ... help prevent the accumulation of extreme wealth" (OECD 2021a, 50).

Germany: unnecessary reliefs (?)

In Germany, by far the most frequently used narratives are those with an economic reference. Inheritance taxes, broken down and summarized, are bad for the economy. But, as just presented by the OECD report from 2021, not taxing inheritances means that wealth inequality will continue to grow due to the very logic of high returns on capital. In this context, as I emphasized at the beginning of this dissertation, I understand inequality as a political phenomenon. For decades, inequality was framed by economists and think tanks as a necessary byproduct of capitalism. In the meantime, however, much has changed in the discourse. Rising inequality is "particularly harmful for developing countries", as World Bank Group President David Malpass said (World Bank 2022, n.p.). And as Gabriela Bucher, CEO of The Fund for Global Human Rights, summarizes in an article for the World Economic Forum: "During the past decade, the richest 1 percent of people captured around half of all new global wealth" (Bachler 2023, n.p.). Lars P. Feld et al. also suggest that "rampant inequality [can] have adverse effects. High levels of inequality may be associated with credit constraints for lower income groups or inhibit educational investment if there is no prospect of upward mobility. In extreme cases, distributional conflict threatens the social peace that holds a society together" (Feld et al. 2020, 235).

Feld et al. address an important aspect that has been repeated many times: It is important that performance is worthwhile, that there must be a prospect of upward mobility. At this point, I would like to mention two indicators that show that this prerequisite is not met. The OECD report *A Broken Social Elevator?* shows how high the chances are for children to rise to the top 25 percent if they come from either poor (fathers are in the bottom 25 percent) or wealthy backgrounds (fathers are in the top 25 percent) (OECD 2018a, figure 1.6.c). If social mobility were high, it would not be essential to know how high the father's income is. But according to the report, in only one country is social mobility lower than in Germany. Only in the US does the origin of the offspring determine the statistically expected income to an even greater extent. It would take six generations for those born in low-income families to approach the mean income in their society (OECD 2018b, figure 1.5): "floors and ceilings are sticky in terms of earning" (OECD 2018c). And "meritocracy", according to Daniel Markovits, "no longer operates as promised. Today, middle-class children lose out to rich children at school, and middle-class adults lose out to elite graduates at work. Meritocracy blocks the middle class from opportunity" (Markovits 2019, ix).

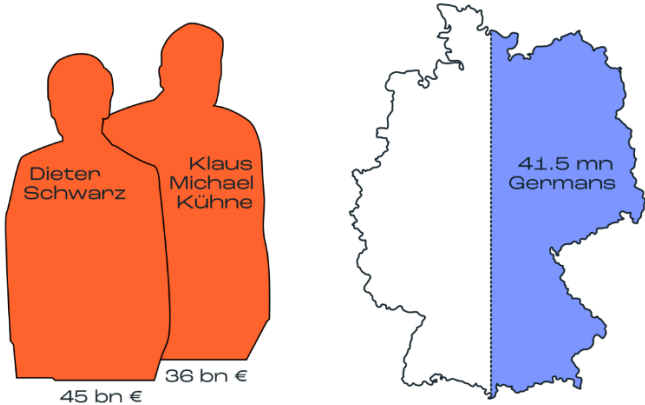
Another frequently used narrative of opponents of higher inheritance taxes is double taxation, with which they would have an enormous problem, as they perceive this to be partly "perverse." This narrative must be viewed critically for (at least) two reasons. First, legally, since the tax is not levied on the estate in Germany as it is in the US, and is thus paid by the decedent; in the US, one could speak of double taxation. In Germany, however, the heir pays the tax on the increase in wealth, which according to John Stuart Mill is considered "unearned" (Mill 2004 [1848], 216, 252-255). For the heir, according to the law, this is a new increase in wealth on which he has not previously paid tax. Property rights are not family-defined; entailments – the inalienable binding of property in family hands – were dissolved as anti-democratic relics of the monarchy in the Weimar Republic. Second, multiple taxation is inherent in the tax system: purchases are paid for with income that has already been taxed. Multiple taxation with respect to income rarely came into play. In a logical continuation of the idea, the abolition of VAT would have to be put up for debate. But this is not the topic of interest.

The topic is the growing wealth inequality in Germany, which has taken on striking proportions. In 2018, *Der Spiegel* headlined that 45 families own as much wealth as the poorer half of the population (*Spiegel* 2018). However, in the meantime the number shrank from 45 to two. I first published this calculation in 2021, at which time two families with 71.6 billion euros had more wealth than the poorer half of the population (Linartas 2021, n.p.). Looking at the distribution of individual wealth, according to the 6th Poverty and Wealth Report of the German *Bundesregierung*, the poorer half of the German population has 0.5 percent of total private net wealth (Bundesregierung 2021, 74). As the *Verteilungsbericht* of DGB shows, total German net wealth amounts to 13 trillion euros (DGB 2021, 67), 0.5 percent of which makes 65 billion euros. In 2023, the two richest men

in Germany, Dieter Schwarz and Klaus-Michael Kühne, together own 81.9 billion euros (Forbes 2023b,c⁵³⁷) – and thus more wealth than the poorest half of Germany’s population.

The increase in wealth of the richest Germans is not an individual phenomenon. While over the time span of 2003 to 2021 the GDP in Germany increased from 2,130 billion euros to 3,717 billion euros, or 74.5 percent (Destatis 2023), the assets of High Net Wealthy Individuals (HNWI) grew by 116 percent from 756 billion euros to 1,633 billion euros over the same period (Capgemini 2003, 2021).⁵³⁸ The return on capital assets is thus much higher than economic growth, or in other words: r is greater than g .

Figure 5.21: Two German men own more than the poorest half of Germany’s population



Source: ungleichheit.info 2023.

The richer someone is, the more their wealth consists of business assets. 86 percent of all business assets are in the hands of the top 1.5 percent, i.e. millionaires in Germany (data according to Schröder et al. 2020, 320, based on own calculation).⁵³⁹ In the interviews, it was consistently emphasized that business assets should be treated in a privileged manner. This privileged treatment means a de facto preference for millionaires and billionaires. Moreover, these privileges have existed since 1996, to an even greater extent since 2009, and, since 2016, the privileges have been expanded to such an extent that they now represent the largest of all federal tax subsidies (*taz* 2023). Between 2009 and 2020, at least 409 billion euros in entrepreneurial assets were inherited or given away tax-free on the basis of corporate privileges (Jirmann 2022). According to

⁵³⁷ According to Forbes profiles on July 21, 2023, Dieter Schwarz had 51 billion dollars, and Klaus Michael Kühne possessed 40 billion dollars (Forbes 2023 b,c), together 91 billion euros; at an exchange rate of 0.90, this results in 81.9 billion euros.

⁵³⁸ GDP see Destatis, for HNWI, see Capgemini 2003 to 2021.

⁵³⁹ According to Schröder et al. 2020, see table 3, the average business assets of the entire German population is worth 21,814 euros, the top 1.5 percent possess on average 1,225,886 euros. Thus their share is 86% $((0,015*1255887)/(1*21814)= 86\%)$.

calculations by Stefan Bach, the inheritance tax no longer has a progressive effect on assets of 10 million euros or more, but a regressive one (*Spiegel* 2021). Privileges on business assets thus reinforce wealth inequality.

The privileging of business assets and family businesses is primarily justified by the preservation of jobs. As described above (see p. 231), the Scientific Advisory Council to the Federal Ministry of Finance found in its 2012 report that this argument lacks any empirical evidence (WB-BMF 2012, 11). In addition, Julia Jirmann has shown that twelve percent of all tax-free business transfers went to children under the age of 14. In 40 cases, assets totaling 33 billion euros and at least 250 million euros each were transferred to children (Jirmann 2022, 3). It is obvious that they do not engage in firms and help maintaining jobs. The OECD also debunked this narrative in their report. In their literature review, they summarize 17 studies from the OECD area, including explicit studies on Germany (OECD 2018, 59-60). These studies examine whether liquidity constraints have put firms in distress and whether inheritance tax reforms in recent years were necessary.

"[R]eliefs are not always well targeted, primarily benefit the wealthy and may sometimes be unnecessarily generous. For instance, Houben and Maiterth (2011) examined the significant expansion of tax reliefs for family business successions introduced in Germany in 2009, but concluded that the reform was unnecessary to protect businesses against liquidity issues, as their analysis showed that the previous (less generous) system did not jeopardize transferred businesses." (OECD 2021a, 59-60).

Another aspect arises from historical observation: Until 1996, heirs to business assets were not exempt from the inheritance tax. In my opinion, it is questionable whether business assets need to be treated so privileged to this extent, or even at all. The history of the Federal Republic clearly shows that the economic miracle and economic growth generally took place even without the special treatments. Not one case is known in which jobs were lost due to the payment of inheritances taxes. Notwithstanding this fact, no other narrative has been used so frequently. In this regard, Achim Truger speaks of the difficulty to distinguish in tax policy what is

"a competitive constraint in the real economy, what is merely an attempt to prevent tax shifting, i.e., without businesses leaving, ... and the other is: what then is lobbying? Lobbying on tax issues, of course, is extremely heavy." (ITV Truger 2023)

At this point, I would like to share a research finding to round out this chapter. In an interview with *Die Welt*, *Idealo* CEO Albrecht von Sonntag and *Frosta* founder Dirk Ahlers spoke out in favor of an inheritance tax reform:

Von Sonntag: "I would take as massive an approach to the inheritance tax as I could. I don't think anyone by birth should have an income without benefits that's higher than the Chancellor's."

Ahlers: "Also in my understanding, the inheritance tax could be increased. What I find most unfair and absurd is this exception rule, which I'm really ashamed of as an entrepreneur."

WELT: "So you think little of the argumentation of the family business associations, according to which a higher inheritance tax damages the German economic structure with its many medium-sized companies?"

Ahlers: "Anyone who argues like this is lying. The exemption rule has been in place since 2009⁵⁴⁰. If the *Familienunternehmer* were right with their horror scenarios, then we would have been living on the brink of ruin all along. But the opposite is the case. Because what does a sensible entrepreneur do? He sets aside part of his earnings for inheritance tax, as my father did and as I have done. Family entrepreneurs act as if they are surprised by this tax and therefore have to sell the company. If I were to drop dead today, nothing would happen at *Frosta* AG, even without the exemption rule. No jobs would be endangered, no investments would be cancelled. I get really angry when I hear something like that."

WELT: You mean *Die Familienunternehmer* are ripping us off?

Ahlers: "Yes. The only compliment I have to pay them is that they are super good lobbyists. They even did a terrific job of convincing the trade unions and the SPD."

(*Die Welt* 2017, 9-10, BT-P).

⁵⁴⁰ FACT CHECK: Already back in 1996, business assets have been treated differently, see page 227.

6 Conclusion: Democracy and Justice First

Economic inequality is one of the most pressing problems of our time: High levels of inequality erode social cohesion, threaten long-term social and economic development (UN 2020, 1), undermine democracy, and damage the climate (Knight et al. 2017; Aye 2020; Rehm et al. 2023). Understood as a phenomenon that "hurts everyone regardless of economic status" (Ingraham 2018, n.p.), it seems logical and coherent that subdisciplines of social sciences problematize and analyze inequality from multiple angles and perspectives. Yet while by now a broad consensus has been reached among researchers that inequality is problematic in nature, we must not forget that this consensus only recently became the dominant conception.

For decades, inequality was framed as "a necessary byproduct of capitalism" (Thompson 2007, 145). Since Piketty's C21 and more recently since "reducing inequalities" was declared an SDG in its own right, inequality has been understood differently. The form of inequality of interest in this thesis is wealth inequality, as wealth inequality is significantly greater than income inequality in all countries for which reliable data are available. Notwithstanding, the focus of debates about economic inequality is on income; which might be explained due to the lower quantity and quality of data on wealth. However, in recent years, much research on wealth inequality has been published that is methodologically strong and meaningful. Not only has it been researched how high wealth inequality is. Furthermore, it has been shown that wealth inequality has developed differently in different countries, and that its development has been a matter of institutions, paradigms and, generally speaking, politics.

As Piketty (2014, 2020), Saez and Zucman (2019), Albers et al. (2020), Buggeln (2022), and many others have pointed out, the solution to reducing wealth inequality in the 20th century lay primarily in tax policy. A crucial question is how to tax inheritances, since wealth is composed of what one accumulates over one's life cycle and also (mostly) what is passed on intergenerationally through inheritances and gifts. Inheritances already have, and are expected to have in the near future, an even more significant impact on wealth distribution (Credit Suisse 2019, 34). This is evident given that the share of inherited wealth in Europe and the US has risen again to over 50 percent since the 1980s (Alvaredo et al. 2017, 240), making these countries *inheritance societies* rather than meritocracies by definition.

In a conservative calculation of various scenarios, the OECD presents what happens if inheritances and wealth are not taxed heavily and progressively (OECD 2021a, 47). Without taxation, the wealth of the rich grows from 10 *million* to 60 *billion* dollars over a period of five generations. The OECD study clearly shows that if capital accumulation is not countered by a democratic response in the form of inheritance taxes, the higher the already high level of wealth, the higher it grows: the curve is exponential. Without high and progressive inheritance taxes, the gap between rich

and poor will continue to widen. The inheritance tax is a powerful, democratically legitimized instrument that is capable of reversing this trend of capital accumulation over generations. Based on its study – including an extensive literature review on the inheritance tax weighing of pro and contra arguments –, the OECD is clear in its recommendations:

"[T]aking into account country context is critical. [However] Overall, the report finds that there is a good case for making greater use of well-designed inheritance and gift taxation, based on equity, efficiency and administrative considerations." (OECD 2021a, 138, 137)

Taxes are an expression of the political values and norms of a society and, in order for them to be introduced or strengthened, they must be legitimized accordingly. It is not facts and figures that determine the interplay of the multitude of possible taxes, but attitudes toward taxes in general and individual taxes in particular. If one wants to understand a country's tax policy, one must understand how taxes are legitimized or discredited. The legitimation of the inheritance tax is expressed in detail through its narratives, which, taken as a whole, paint a picture of the paradigmatic and ideological framework in which they operate. Interrelated narratives, a *repertoire of narratives*, which are based on the same basic ideas, norms, and values and stem from the same paradigm, gain in importance and power and reinforce each other in their effectiveness. I count as RON all those narratives that are at least moderate in frequency (mentioned 25 to 75 percent) or strong (over 75 percent) when measured against the most frequently used narrative. This way, the concept of RON allows one to analyze the coexistence and interaction of the most frequently used narratives. To evince when various *repertoires of narratives* have had more or less power, it is necessary to analyze the interplay and distribution of narratives within a RON, embedded in the material and organizational arrangements that favor certain narratives in their spatio-temporal setting.

More than the narratives in the overall society, the chances of a change of course become more apparent in the narratives of the economic elites – which are, according to sociologist Michael Hartmann, the most dominant group of elites (Hartmann 2018, 399). While ten to twenty years ago the particular influence of elites in the growth and reproduction of inequalities was rather assumed (e.g. Gates and Collins 2002; Nowatzki 2012), research approaches, data, and methods became increasingly sophisticated (López 2018) and found a clear cut relationship between elites' power, agenda setting, and tax systems that became less redistributive over the past half century.⁵⁴¹ Graziella Moraes Silva et al. distinguish the economic, political, and bureaucratic elite, showing that elites cannot be understood as a homogeneous group (Moraes Silva et al. 2018). However, there is little work that looks at the most powerful group – the economic elites – and shows in a structured and comparative way how they relate to wealth inequality, taxes, the state, and specifically to inheritance.

⁵⁴¹ See Gilens and Page (2014) for the US, Lupu and Warner (2022) globally, Fairfield (2013, 2015) for Latin American countries, Ondetti (2017, 2021) for Mexico, Elsässer et al. (2020) for Germany.

I was eager to design a research concept which incorporates the important elements of wealth inequality, the inheritance tax, and the narratives, especially those about wealth inequality and the inheritance tax of the powerful actors, the economic elites. I therefore compared Mexico and Germany, two OECD states which, besides their membership in the OECD, are very different but have the same outcome: both states have among the highest Gini-coefficient of wealth inequality of about 0.8 in comparison with other democracies (Credit Suisse 2022, 121, 120). In a first step, I traced the historical evolution of inheritance regulations and its narratives in order to carve out which RONS gained acceptance and became institutionalized within the paradigms and ideologies of their time. Accordingly, the first research question was: How have narratives, in concrete RON, and legal regulations of the inheritance tax evolved and changed over time?

The historical analysis of Mexico and Germany has shown that RON about the state, taxes, and the inheritance tax have undergone major changes. A change in narratives was accompanied by a change in paradigms – only and if these were consistently and convincingly put forward by strong advocates, especially by the political elite (defined as members of the government, parliament, senate, *Bundesrat*). This applies both to the introduction or strengthening of the inheritance tax and to its abolition or weakening.

In Mexico from the 1920s to 1940, the role of the state was understood as important as to intervene strongly in the name of *el pueblo* and to subordinate individual property to the collective interest (Magna Charta 1917, Article 27). But the implementation of laws and institutions lagged far behind the rhetorical confessions of the presidents and their cabinets. The tension between the revolutionary promises and the economic elite persisted over time. As time would tell, the ideological, liberal foundations from the 19th century were not shaken, rather the revolutionary ideas were softened and embedded in the liberal ideas of an interventionist state. It was precisely in this tension between social justice under the banner of revolution and pragmatism in institution-building that tax reforms were developed.

During this period, in the person of Alberto J. Pani, Mexico had a Secretary of the Treasury who used to travel repeatedly to Europe and the US as a diplomat and thus knew the international arena and debates very well (see page 75). In terms of political ideas, Pani was close to Keynes and advised by Kemmerer on the establishment of the Bank of Mexico and other financial reforms (Nodari 2019, 232-233). In Pani's view, the state had to be interventionist to establish social justice. One of his most important projects was the introduction of the first progressive income tax in 1924, which would be a direct and progressive tax, paid according to the ability-to-pay principle mainly by high earners, and would help the working class (Pani 1955, 21). President Álvaro Obregón and Pani framed the tax as just, modern, as "the nucleus of the future fiscal system" (Fujigaki Cruz 2005, 160), and in accordance with the objectives of the revolution; while indirect taxes were framed as anachronistic and an expression and source of inequality and injustice. Another important introduction was the National Fiscal Convention in 1925. Through the Fiscal Convention, Pani involved politicians from the Mexican states in tax policy and established a strong

and democratically legitimized veto player: Any tax reforms were henceforth to be designed jointly on the federal and state level, and reforms required approval. The Fiscal Convention also helped to gain strength against the economic elites in order to establish the inheritance tax. The inheritance tax was introduced in 1926.

According to the RON, the inheritance tax should consider family closeness, expressed in the various tax classes. At the same time, the inheritance tax was understood as an important tool to reduce inequality. In terms of social justice, it would immediately reduce the effect that it itself caused – namely the reproduction of inequality – since its design was highly progressive in accordance with the ability-to-pay principle. The Second Fiscal Convention in 1933 first strengthened the legitimacy of the inheritance tax, before the inheritance tax itself was strengthened again in 1934. Both the Secretary of the Treasury Pani and President Lázaro Cárdenas took the position that there was a need for a strong, interventionist state, that taxes were an important democratic instrument, and that their function beyond financing the state was to reduce inequality. The inheritance tax was an expression of social democracy in the sense of an interventionist state. With the nationalization of Pemex in 1937, President Cárdenas made very clear how important and strong the state should be. According to Gabriel Ondetti, this is when the Mexican economic elite developed its anti-state attitude from which it has not moved on (Ondetti 2017, 68).

Several favorable factors for a progressive inheritance tax were in place after the Mexican Revolution: For many years, both the presidents and secretaries of the Treasury were aligned on their economic ideas and paradigms and left no room for doubt over their course, even excluding any alternatives to their heterodox choice of "right and just" instruments. As various secretaries of the Treasury and successors with the same political views were in charge over several years, it was possible to institutionalize their convictions. Furthermore, the Mexican heterodox ideas were in various aspects in accordance with the *Zeitgeist* of many other countries (e.g. the US during the times of the New Deal being the most important). Another important aspect is the economic elites; they were weakest immediately after the revolution, while at the same time their narratives were so contrary to the prevailing paradigm that they had less influence on the tax design. However, it was furthermore necessary that the secretaries of the Treasury and/or presidents would, instead of consulting in the first-place economic elites, take precedence over the democratically elected commissions (in the form of the National Fiscal Convention). High fines and prison sentences also put a high price on tax avoidance.

According to the theoretical model, concrete configurations of a policy can be understood as an expression, as the realization of the prevailing paradigms and ideologies. This also applies to the inheritance tax. The paradigmatic and ideological development of Mexico would have the logical consequence that the inheritance tax would be introduced. On the other hand, even if the inheritance was implemented, various factors were crucial which would prevent the inheritance tax from reaching high and highly distributive effects. Consider the understanding of private property rights: even if, according to the *Magna Carta*, social aspects were more important than the

individual well-being of the wealthy, the liberal understanding and importance of private property rights was repeatedly emphasized. Furthermore, it should be considered that the structures for yielding tax revenues did not exist in advance: Mexico never collected large and high taxes and was therefore structurally weak. So while the ability to yield revenue was very low, the economic elites began to organize themselves and began to (re-)gain strength. They have never lost their absolute power and have sought proximity to the political elites as to consolidate their influence. These elements stood in the way of a high and progressive inheritance tax.

After only two decades, a paradigm shift was set in motion. The shift did not take place abruptly, but rather steadily over time. President Lázaro Cárdenas (1934-1940) was followed first by Manuel Ávila Camacho (1940-1946) and Miguel Alemán (1946-1952). The post of secretary of the Treasury was held by Eduardo Suárez Aránzalo from 1935 to 1946; his successor Ramon Beteta Quintana (1946-1952) was a direct disciple of Suárez. During this time, the discourse about the state and tax changed. However, under the *desarrollistas* Suárez and Beteta, the state was still understood as an important actor. The paradigm shift was finally complete with Secretary of the Treasury Antonio Ortíz Mena (1958-1964). His tax reforms are evidence of a new understanding of the role of the state in relation to the economy, the importance of the economic elite, the function and significance of taxes in general, but also of the inheritance tax in particular – which was understood as a burden to the economy and was abolished in 1962.

In summary, based on the preceding analysis of the economic paradigms, important factors can be identified that made it likely that inheritance taxes would be discontinued. The post-1940 finance ministers had a different attitude toward taxes and their function than their predecessors: From being an important instrument for redistribution and for financing a strong state, the perception of the function changed to a sole focus on revenue. Meanwhile, the economic elites gained in strength and were invited by politicians to participate in the Third Fiscal Convention in 1947; the role of the “norm entrepreneurs” (Finnemore and Sikkink 1998) in the discourse was thus reinforced. The role of the Fiscal Convention, on the other hand, was weakened and found obsolete; this went so far as to forfeit its role as a veto player. By 1960, heterodox ideas of recognized economists, of Nicolas Kaldor but also of Ortíz Mena's own staff of advisors, were abandoned in favor of orthodox ideas brought forward by the economic elites. The “battle of ideas” was won by the orthodox. And not only that: Kaldor's approach was framed as extremist. It was knocked out of the ring.

The new paradigm in 1962 had – in accordance with the definition of a paradigm shift – different objectives, motives, and narratives when it came to the state and taxes: The state became a “bird of prey” that was primarily intended to support the economic elites. Taxes were to be designed accordingly: they were a burden and were to be proportional. As taxes were a burden, this was also true of the inheritance tax. The RON about the inheritance tax shows the consistency with which narratives worked together in an interwoven manner: The inheritance tax was understood as a barrier to capital. Regarding inequality, inheritances – not the inheritance tax – would help

allow the wealth to circulate and thus achieve a better redistribution of wealth. The inheritance tax would create inequality, as there were so many ways for avoidance that, in consequence, only the middle class would suffer and pay – while the rich would, logically and comprehensibly as it was considered, not comply to their (unjust) tax duty. On a structural level, dissatisfaction and envy as much as resentment were in place. The continued chaos of various laws in place, the complicated and anti-economic system were brought up as to emphasize, from politicians themselves, how aggrieved they were with the state, unable to implement a just and humane inheritance tax. In itself, the inheritance tax was cruel, as the state waited like a "bird of prey" for the death of *el jefe* and would take what was intended for the families during the most difficult moment while they were coping with the loss of a loved one.

In Germany, there were ups and downs in the strengthening and weakening of the inheritance tax. *Zentrums*-politician Matthias Erzberger, as Vice Chancellor and *Reichs* Minister of Finance, was a powerful politician who was very strong in his convictions about how the state and taxes should be structured. For Erzberger, a good Minister of Finance was the best socialization minister, inequality had become a social injustice and a disease on the economic body, and an inheritance tax and wealth tax were therefore necessary (Erzberger 1919, 5, 7). The consequences of World War I acted as a catalyst for the paradigmatic change that Erzberger vigorously sought to implement. The financial needs of the Republic also prompted conservatives to join in Erzberger's reforms. The inheritance tax was one of various wealth taxes and part of an equitable restructuring of the entire tax system.

For the sake of justice, the inheritance tax had to be progressive, include the heir's wealth in the inheritance tax calculation, and tax spouses (however, not *concurbinas*)⁵⁴² and children to have an effect; but it should also take into account the degree of kinship. Penalties for tax evasion were high: they could be twenty times the inheritance amount or even result in imprisonment. Tax evasion was not a trivial offense. Erzberger's RON on inheritance taxes was first and foremost about justice. Inheritance taxes were an expression of the necessary "justice in the entire tax system," which Erzberger declared to be his primary goal (Erzberger, Z, NV 1919b, 1377). Time and again, Erzberger emphasized social justice first – over the financial situation or economic aspects. The tremendous inequality was to be reduced through taxes on wealth and inheritance, as an imperative of justice but also for the good of the economy. By stating that the inheritance tax was "something self-evident and expected on all sides" (*ibid.*, 1381), he left no room for alternatives.

The fact that the inheritance tax was an expression of Erzberger's convictions had been very strongly emphasized by himself. But even though the inheritance tax was strengthened, there were important aspects that prevented the continuation of this high level of taxation. Although conservatives (those in Erzberger's party *Zentrum* yet also such parties that were further right, as parliamentarians from Upper Bavaria) also approved Erzberger's tax reform of 1919, deputies

⁵⁴² As in Mexico from 1934 onwards (see page 93), where the concept of family was modern in comparison to the Weimar Republic and the FRG.

made it clear that they did so not out of conviction but out of financial necessity. Moreover, when Erzberger was assassinated, the most important political figure who advocated a strong inheritance tax was missing. He left a void politically that was not filled by anyone with the same convictions according to Erzberger's RON. In addition, the Weimar coalition was voted out of office after a very short period of time, thus losing the mandate to shape a socially liberal fiscal policy. These factors favored a weakening of the inheritance tax.

The RON which was used to legitimize the weakening was based on economic aspects and on the grounds of legislative errors and deficiencies. It was stated that it lacked coherence, time, and labor; the expenses of the tax offices were also disproportionately high, and in part superfluous. The economic narratives showed a shift: the emphasis within these narratives was expanded more in the direction of small and medium-sized enterprises; an inheritance tax would destroy the livelihood of countless families and undermine the will to save. The harsh criticisms toward the rich were softened in this way. For the inheritance tax, according to the contra group, was not just about the capital of the wealthy, but affected the empire as a whole and was therefore "intolerable." Moreover, wealth was again seen as a family achievement, its taxation as an unjust act.

After World War II, the economic system was to be above all capitalistic. This would be achieved by turning proletarians into owners, specifically small capitalists (Ptak 2004, 198). In this way, property-preserving paradigms and ideologies were consolidated, according to the thoughts of both ordoliberal and neoliberal thinkers in particular. Ordoliberalism was the paradigm that was to shape the FRG after World War II. The role of the state was generally understood as important in that it needed a strong and independent actor to prevent a concentration of powerful economic actors. Only by limiting concentrated economic power could an economic freedom be formed in which performance and competition constituted the foundation for social justice. The differences within the group of ordoliberal representatives were tense.

Alexander Rüstow, for example, was in favor of a 100 percent inheritance tax, as social justice could only be established if everyone involved were granted starting justice and starting equality; equality of opportunity was his main concern (Rüstow 1954, 219). Rüstow was a strong advocate of meritocratic principles and wanted to create conditions in which everyone could make his own fortune. Ludwig Erhard, on the other hand, focused on economic growth. Erhard understood economic progress as the guarantor of prosperity for all. And this, according to Erhard, could only exist if there was a "reduction in the tax burden" (Erhard 1957, 13). In his rhetoric about taxes, Erhard was in any case very firm, speaking of redistribution as a form of attrition and of taxes as an oppressive problem (ibid., 10, 13). Taxes, according to Erhard's conviction, reduced the consumer's purchasing power and thus restricted the citizen – or rather the consumer – in his freedom. In Erhard's words: "[i]t is much easier to grant each individual a larger piece from an ever-

larger cake than to want to draw a profit from a dispute over the distribution of a small cake" (Erhard 1957, 10)⁵⁴³.

In the social market economy, lower taxes acted in this endeavor like baking powder for a growing cake (Erhard 1957, 174). As part of the "most comprehensive tax rate reduction in German history" (Buggeln 2022, 633), the inheritance tax was also reformed – but not abolished. As strong as the conviction and Erhard's role were, Chancellor Konrad Adenauer clearly rejected the wishes to abolish the inheritance tax. Beyond that, however, there were no strong calls from the left to retain the inheritance tax, as the Allies imposed. The pro group's narratives were comparatively mild and relativizing and would not start an overall debate. The Allies' tax system seemed too high to all. This was certainly an important factor explaining the success of weakening the inheritance taxes in the 1950s.

The reforms were legitimized with a RON that focused primarily on the framework conditions. The narrative of the unsuitable framework conditions by the Allies was thereby interwoven with the narrative of the family property principle: Inherited property was placed in the family context. The tax cuts were presented as an imperative of tax justice and in the interests of the family, especially for smaller businesses. The winners of this normalization would be the entire population, as increases of the allowances would spare more inheritances and the new tariffs would benefit larger estates (Adenauer, CDU, BT 1954a, 115).

When, in 1968, the Federal Constitutional Court declared the inheritance tax to be partly incompatible with the Basic Law, the SPD, CDU/CSU, and FDP were programmatically oriented toward the ideas of Keynes. The focus was on demand and full employment; the unequal distribution of income and wealth was emphasized more strongly and framed as damaging to the economy. In the social-liberal coalition, social justice was to be strengthened by a strong state within capitalism (Nachtwey 2009, 72, 102) and economic growth, previously a means, now became the main goal. Although Willy Brandt, first chancellor of the SPD in office, spoke of a comprehensive tax reform in his government declaration on October 28, 1969, Brandt stated at the outset that it was not aimed at confiscatory taxes – so as not to hinder wealth accumulation (Brandt 1969, 11). For the FDP, it was possible to save face vis-à-vis its electorate on the inheritance tax reform, since they could invoke the demand of the Federal Constitutional Court. In the CDU/CSU, in turn, there were strong representatives, such as Norbert Blüm, who approved of reforming the inheritance tax because the existing form ridiculed the principle of merit.

The RON of the inheritance tax referred primarily to the framework conditions; further narratives spanned justice, inequality, and the privileges of family foundations. According to the SPD, an end should finally be put to the unfair valuation of real estate and the tax privileges of family foundations. The definition of residents and Germans should also prevent people from evading the tax

⁵⁴³ "Es ist sehr viel leichter, jedem einzelnen aus einem immer größer werdenden Kuchen ein größeres Stück zu gewähren als einen Gewinn aus einer Auseinandersetzung um die Verteilung eines kleinen Kuchens ziehen zu wollen."

by moving away. Tax burdens were to be distributed more fairly in terms of reducing inequality and overall, social justice became the most important goal of the tax reform. However, it was also emphasized that the changes should be moderate. As the FDP insisted, performance should be rewarded and wealth accumulation should not be hindered. Above all, however, the case law of the Federal Constitutional Court had to be taken into account.

The orientation toward Keynesian fiscal policy did not last long: As early as the mid- to late 1970s, first the CDU/CSU and the FDP, and finally also the SPD, turned away from it. From the 1990s onward, a neoliberal orientation of tax policy had fully taken hold. The wealth tax was suspended, top income tax rates were lowered from 56 to 42, capital gains tax was brought flat at 25 percent, corporate taxes went down, while value-added tax went up. Whether it was the CDU/CSU, the SPD, the FDP, or the Greens, all parties involved in government acted in accordance with the trickle-down approach and were supply oriented. The neoliberal orientation and supply-side policy was a constant not only in politics, but also in the judiciary and consulting. In addition, there was enormous pressure from the lobby, which was even pointed out in parliamentary debates. Neoliberalism became hegemonic.

In 1995, 2007, and 2014, the inheritance tax was declared partially unconstitutional. Most recently, three federal constitutional judges emphasized in their special opinion in 2014 that the function of an inheritance tax was also to prevent the accumulation of large fortunes in the hands of a few. This was the first break with the neoliberal understanding of taxes on the part of the judiciary. Although the high wealth inequality in Germany was explicitly criticized by the Federal Constitutional Court, the inheritance tax was further weakened and further privileges for the richest in society were built in.

In the RON, by far the most frequently mentioned narratives were those related to the economy. Wealth taxes, including inheritance taxes, were always a burden, even a poison for the economy. They endangered the German middle class and family businesses, and would threaten jobs. Accordingly, business assets should be given privileged treatment. Although in the meantime the expert opinion of the Scientific Advisory Council to the German Federal Ministry of Finance concluded that no jobs would be endangered (WB-BMF 2012, 11), and even though not a single empirical case confirmed this narrative, this became the most frequently mentioned narrative. Not only jobs, but also small and medium-sized enterprises and especially family businesses were at the center of attention. Furthermore, the administrative burden and the costs of inheritance tax were disproportionate to the revenue it yielded.

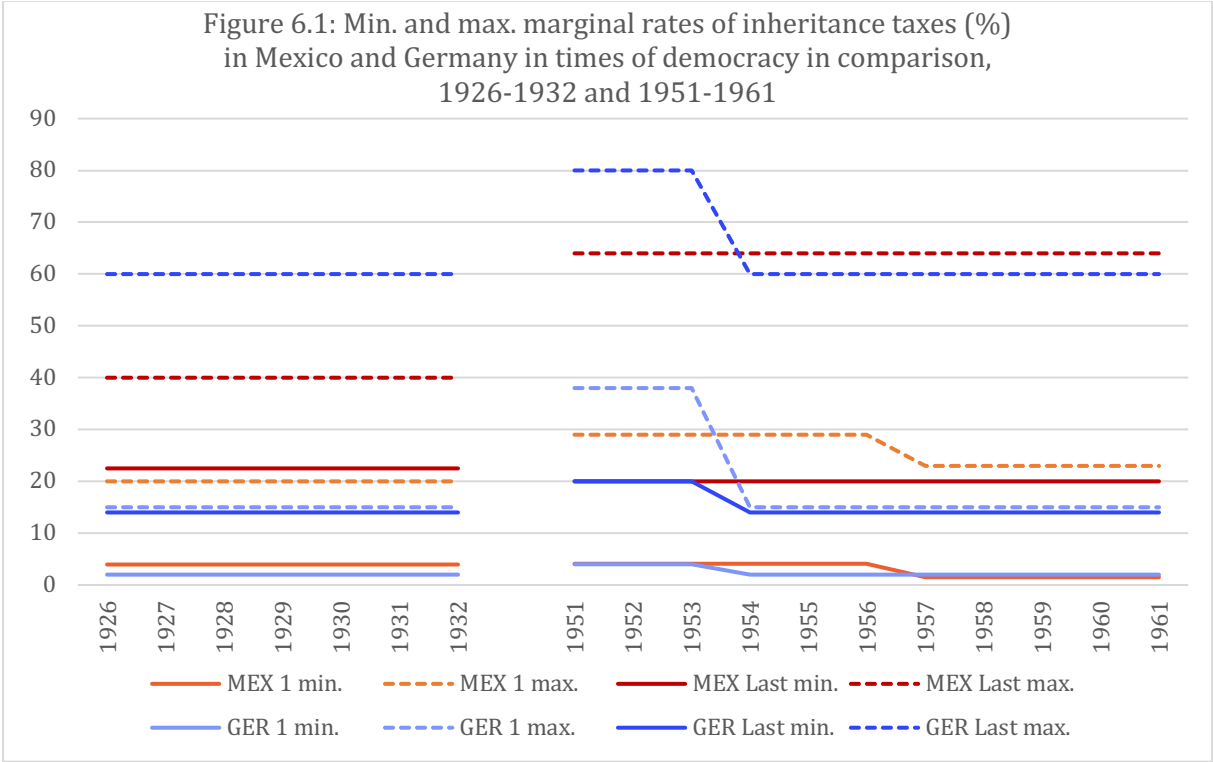
The aim of the comparative analysis of Mexico and Germany, of a non-belligerent and a belligerent state, was also to test whether mass warfare was decisive for the evolution of the inheritance tax. As the historical and narrative analysis have shown, both the revolution and world wars played a role. However, they were neither necessary nor sufficient with respect to the development of the inheritance tax. Both the comparison between countries and the historical evolution within

Mexico and Germany suggest that the ideological stand, paradigmatic beliefs, strong political figures, and the design of tax policy as a whole played a greater role. While Mexico in its 1920s just emerged from a revolution, it was not financial needs that were emphasized in times of the introduction of the first direct tax on incomes and when the inheritance tax came into force. Under Secretary of the Treasury Pani in the 1920s, the main concern was to shape a direct and progressive tax system. The largest rise after its inauguration in 1926 occurred under President Cárdenas in 1934 – thus years after the revolution –, when the paradigm focused on a strong state and redistribution, and the top marginal tax rate of the inheritance tax increased from 40 to 65 percent in the name of democratization. As in 1926, the focus was not led on higher revenues, but redistribution in the name of the people as to reduce inequality and establish greater justice. The revolution was important as in the following period, the economic elites had not yet regained their former strength. As soon as the business mergers became larger from the 1940s onward and the paradigm changed – according to which economic growth was paramount and taxes were counterproductive for this goal –, the inheritance tax was continuously weakened until it was completely abolished in 1962.

I wish not to deny that the sharp rise of the inheritance tax in the Weimar Republic under Vice Chancellor Erzberger was partly enabled because of World War I. But Erzberger never tired of emphasizing that he was not concerned with financial hardship. For him, justice and democracy came first. It was financial hardship, however, that made more conservative parliamentarians go along with Erzberger's tax reforms. As these conservative parliamentarians have not undergone any paradigmatic shift, the inheritance tax was immediately weakened as soon as Erzberger was assassinated and the conservatives gained in voter favor. However, the increase in the inheritance tax in the mid-1970s had nothing to do with the war effort. It was the Keynesian paradigm in the wake of which the inheritance tax was strengthened. As Nachtwey points out, the turn towards Keynes meant a farewell of the ideology of socialism (Nachtwey 2009, 102). This being said, the differences between the reforms under Erzberger and under Willy Brandt can be explained well when considering both ideology and paradigms of these times: While under Erzberger the ideological struggle between socialism and capitalism and the corresponding orientation of the paradigm was still open, after the *Godesberg Program* of the SPD in 1959 and under chancellor Brandt the path that was to lead to ever more economic growth had already been taken. In the latter ideological framework, there was no room for a paradigm that would have allowed “confiscatory” tax rates; this then can also help explain why the inheritance tax reform in 1974 was far more minor in historical comparison with Erzberger.

In both Mexico and Germany, revolution and world wars created favored circumstances for the strengthening of the inheritance tax as the economic elites lost their supremacy; this prepared a fruitful ground for norm entrepreneurs (Finnemore and Sikkink 1998) and new paradigms to take hold. The comparison of the design of tax classes and rates, as well as the regulations, are strikingly similar and suggest that concepts and ideas circulated internationally, being congruent and vigorous in their orientation in the sense of a paradigm; tax laws did not originate in a vacuum,

but proliferated. The strong influence of international ideas and concepts is unmistakable and has a long tradition, in both Mexico and Germany (in Keynesian, and retro-, as much as in ordoliberal times)⁵⁴⁴. The discussed economists Kemmerer (Nodari 2019), Keynes (Suárez Dávila 2005, 229), von Mises and von Hayek (Henderson 2016, 85-111), and Kaldor are just a few examples. It is therefore not surprising that Mexico and Germany had quite similar designs of tax classes, tax progression (see figure 6.1) and regulations, including their sanctions.



Source: own compilation, in accordance to inheritance tax laws in Mexico and Germany.

What the two countries furthermore have in common is that they needed strong political figures who could express their conviction of their economic paradigm through legislation. Both cases show that mass warfare alone cannot explain its course of evolution. Rather, the analysis of Mexico and Germany suggests other explanatory factors: The prevailing social(ist) ideology and paradigms, and strong advocates who position themselves against the interests of the economic elites and understand tax policy as a whole in terms of redistribution, justice, in the name of democracy and against inequality – as expressed in their RON.

However, in the past, the inheritance tax was only ever strengthened when it was understood as a consistent component of a fair tax policy. At no point was the attempt to strengthen it a solo effort. Rather, strengthening appeared to be a logical consequence, derived from the

⁵⁴⁴ For Mexico, see Suárez Dávila (2005, 231) and Henderson (2016) for retro-neoliberalism, for Germany, see Nachtwey (2009), Schnyder and Siems (2013) and Botzem and Hesselmann (2018).

understanding that a strong state was needed to reduce inequality in the name of justice, but also because inequality was seen as harmful for the economy. In Mexico from 1926 to 1940, as well as in the Weimar Republic in 1919, according to the RON analysis, justice was paramount; inheritance tax revenues or the use of tax revenues were not. Democracy, justice, and less inequality were important. Around 1940, economic growth was declared the top goal in Mexico, and narratives about taxes would slowly reverse. Similarly, in Germany in the 1970s, when the inheritance tax was strengthened under Chancellor Brandt, the means of economic growth became an end in itself. In this framework, taxes were already seen as a drag on economic prosperity and reform plans were weaker.

The historical analysis has shown that a departure from the status quo of inheritance tax is possible and which factors played an important role. It also shows that attitudes toward taxes are strongly influenced by norms and values, and by the paradigm as a whole. Paradigms frame the role attributed to the state, how the functions of taxes are understood, the relationship between society and the economy in questions of justice, the role ascribed to economic elites, and whether inequality has to be problematized.

When the paradigms in Mexico and Germany shifted toward retro-neoliberalism and ordoliberalism, respectively, the inheritance tax was weakened: In both states, the weakenings of the inheritance tax arrived when the focus of the narratives was being put on the framework conditions and economics. The paradigms within which these narratives came to bear were to the effect that a state should not be a strong actor, nor did it need high tax revenues. The function of taxes was narrowed to the collection of funds. In addition, it was important to emphasize that the inheritance tax would effect the entire economy: not rich heirs, but the entire population would benefit from lower tax rates, as jobs would be endangered if the business assets (not the heirs) were taxed highly. Family ties and the framing of property as familial were also significant: put simply, property should be preserved within the family. A high level of dissatisfaction with the state and a globalized economy in which capital and the wealthy can move freely would mean that an inheritance tax would be inefficient. Since the inception of the inheritance tax, economic elites had been opposed to strengthening the inheritance tax. The more they were able to make their voices heard and exert influence among politicians, both through direct exchanges and in the media, the more difficult it was to escape this sustained pressure.

In times of social democracy, the state's role in regard to taxes (on inheritance) was understood in regard not only to revenue, but also, and in times in the first place, regarding its function to redistribute. Whereas in times of retro-, ordo- and neoliberal democracy, it is foremost the revenue on which the focus is set (following the individualistic and meritocratic approach and the idea that the market will redistribute better than the state can do). Accordingly, taxes used to be framed differently. At the beginning of the twentieth century and after World War II, when the Keynesian paradigm was in place, the narrative went that taxes are the most important

instrument of democracies (Saez and Zucman 2019, 37). Today, taxes are framed differently, understood as a burden and brake on innovation, and even as a potential threat to jobs.

According to the neoliberal paradigm, states should only play a minor role in the economy (or rather understand its role as “rule-maker and umpire”, Friedman 2002 [1962], 25), markets should operate in a free manner, and taxes are framed as a burden for citizens, bad for economic growth, and unnecessary as big welfare states make citizens lazy. Less progressive taxes on incomes and low taxes on wealth and inheritances provoked higher income inequalities and higher amounts of inheritances. This in turn had consequences over lower social mobility and the ongoing consolidation of inheritance societies. Over the decades, in Mexico, Germany, and other OECD states alike, it became impossible to catch up with the *inheritance effect*, as the states did not interfere in the transfer of wealth from one generation to the next. The simple equation of $r > g$ – which in fact is even $r \gg g$ (Jordá et al. 2019, 1230) – would lead to an accelerating growth of wealth inequality. Ever growing inequalities based on family background, lower social mobility, and skyrocketing pay gaps are the result; these present heavy contestations of the meritocratic principle and give rise to a considerable challenge of the dominant discourse. The legitimization of neoliberalism is thus put strongly in question.

However, based on the research results of the historical analysis, the chances of reform to strengthen the inheritance tax are currently given neither in Mexico nor in Germany. In both countries, the conditions for such a reform have not been created neither paradigmatically nor on the part of the actors. In Mexico, it is President AMLO himself who in accordance to *austeridad republicana* clearly rejects the introduction of new taxes. Taxes are interpreted primarily in economic terms; questions of justice do find their way into narratives, but they are secondary to economic growth, which is given priority and for which taxes on wealth are considered harmful. In Germany, there are currently debates on the inheritance tax, but on the political side there are only representatives who advocate weakening it – but not strengthening it (except from the parliamentary group *Die Linke*). In general, there are hardly any debates about more justice and less inequality through taxes; the narrow focus on the function of taxes remains pronounced.

In Mexico, the inheritance tax received no attention at all for decades (see figure 4.6 on page 97). In Germany, the intensity of coverage has been at a low level over the past twenty years (Theine and Grisold 2022, 210); moreover, skeptical coverage has predominated (ibid., Gartiser 2023, n.p.). As Moritz Gartiser shows via a computer-based textanalysis of media reports⁵⁴⁵, tax-critical frames – that is, “statements that emphasize a certain problem definition, determine its causes, and make moral judgments about it before designing solution strategies on this basis” – dominated public debates between 2000 and 2021 (Gartiser 2023). Positive frames were marginalized, abstract, and in need of explanation between 2000 and 2021 until the very end. In my historical analysis, I reach the same conclusion. Proponents of an inheritance tax are not as clear in their communication as opponents. While the contra group focuses on a few narratives, simply and

⁵⁴⁵ His data span approx. 5,200 articles from 190 papers and newspapers from 2000 to 2021.

memorably explaining the connections, the proponents' RON is much broader and is less memorable.

But in recent times, a shift can be seen. In Mexico, the inheritance tax is being debated at the highest political level; and as Gartiser shows, in Germany in 2021, pro-tax and anti-tax frames balanced each other for the first time since 2000. The neoliberal paradigm has become fragile; taxes are no longer understood by progressive and critical politicians and economists only in terms of the function of tax revenues. Inequality is being problematized, and progressive/higher taxes on inheritances are being considered again. According to a report by *Forum New Economy*, there are signs of a paradigm shift – in Germany, the US, and other OECD countries. The role of the state, climate policy, globalization, fiscal policy, the missions of central banks, and financial markets are being recalibrated and, last but not least, "reversing income and wealth inequality" has made it onto the political agenda (Fricke et al. 2023, 34-47, 46). What is now missing, however, according to the historical analysis, is a consistent translation of the new goals with regard to the tax system. In terms of the definition of a paradigm shift, it would be consistent if tax policy were not economized and narrowly focused on tax revenues, but if equity and redistribution were introduced into the canon of goals. Not only does the historical analysis show that narratives of justice, democracy, and inequality have tended to be crowned with success. In their study on the *Rise and Fall of Inheritance Taxation*, Philipp Genschel et al. come to the following conclusion: "Devoid of fiscal purpose, its survival depends mainly on its redistributive features. Redistribution, however, is essentially contested and should be more important in democracies" (Genschel et al. 2023, n.p.). Not only should redistribution be more important in democracies: discursively, that has been the case in the past. Back then, however, there would be a need for actors who would convincingly advocate the inheritance tax – in the context of a comprehensive tax reform – even against a strong financial lobby.

Understanding how the economic elites think about the inheritance tax is highly relevant. Their influence on shaping the political agenda, policy outcomes, and the public's preference has been empirically revealed. In the study of international political economy, however, these actors have not been integrated in the analysis of wealth inequality – which represents one of the most pressing problems of our time. The position of Mexican and German economic elites on the inheritance tax also has not been revealed. In order to address the question of how the powerful economic elites relate to inequality, the state, taxes, and, more specifically, the inheritance tax, I followed up the historical analysis with a focus on the still largely unexplored actors. The goal was to learn about and analyze the RONs of economic elites through semi-structured interviews and a survey. For this purpose, I conducted 38 interviews – 20 with Mexican, 18 with German business actors. I was taken aback by the results. I expected that one could not consider this group of actors homogeneous. There were some issues on which they agreed: In Mexico, the general distrust of the state was very strong, and a wealth tax was rejected by all. Not only because the state was not to be trusted, but corruption is also high, and the government, so the economic elites, is incapable of levying it anyway; but above all because a tax on wealth would damage the economy. The same

verdict was reached in Germany. The German economic elites also show a critical attitude toward the state, first and foremost as an economic actor. However, in many areas, such as climate and education, they expect the government to expand their efforts and investments.

When it came to the inheritance tax, the opinions and correspondingly the RONS of the actors varied widely. There were no actors who, in the tradition of liberals such as John Stuart Mill or Alexander Rüstow, advocated an absolute inheritance tax (above an allowance that should suffice for "moderate independence," Mill 2004 [1848], 107). But apart from this extreme position, the range of attitudes was wide – *within* countries. One interesting finding was that the differences within countries are greater than between Mexico and Germany in the three groups of contra, ambiguous, and pro.

The contra group in Mexico, which comprised eleven of the twenty interviewees, referred primarily to framework conditions when considering the introduction of an inheritance tax: It would be difficult or impossible to introduce an inheritance tax in Mexico. Moreover, it would be harmful to the economy. In general, wealth taxes are bad for the economy, and the same applies to inheritance taxes. The narrative that foreign countries offer capital the opportunity to "flee" and be preserved in this way is particularly striking: Either the capital will flee the country, or the companies will. If the goal were to reduce wealth inequality, philanthropy would make more sense. This is also because the corrupt state cannot be trusted. Furthermore, the revenue from the inheritance tax would be so small that it would be disproportionate to the effort involved and the negative economic consequences. Since wealth is thought of in the context of the family, inheritance tax seems unfair; even more so if, for example, there were a tax on the house one inherits from one's mother. What is recognized, on the other hand, is that an inheritance tax could improve *oportunidades* and thus ensure greater justice.

In the RON of the Mexican ambiguous group, consisting of four actors, the contra narratives predominated. However, in contrast to the contra group, there were more value-based narratives. In particular, the creation of opportunities that an inheritance tax could mean, as well as aspects of equity and fairness, were frequently mentioned. On the other hand, property preservation narratives were cited, and wealth was understood in family terms. Elites were concerned about being able to provide for their own children, which put them in a quandary regarding *oportunidades*. The high level of dissatisfaction with the state led them not to believe that revenues would be spent wisely. Also, capital is volatile and the framework of a weak tax system in Mexico is not up to the demands of an inheritance tax in the globalized world.

Five of the twenty Mexican economic actors were in favor of introducing the inheritance tax. The narratives of these actors are primarily value-based; by a ratio of three to one, they have positive connotations. The principle of merit was the most common. The main narrative goes that heirs have done nothing for what they have received. *Oportunidades* and equality also played a role. As much as these actors would favor an inheritance tax, the wealthy would know how to avoid paying

their share. Furthermore, inheritances should be taxed low as it would be important, too, to be able to build up wealth over generations. Particularly in the case of businesses, care would have to be taken and business assets would have to be taxed differently to ensure that no economic damage would occur; privileges or a different treatment of business assets must be taken into account.

In Germany, I also divided the 18 economic actors into three groups. With eight out of 18, the largest group of German economic elites consisted of actors who were against a strengthening of the inheritance tax. 90 percent of all narratives in the contra group consisted of contra narratives. The most frequent contra narratives had a clear economic connection. The most frequently mentioned were jobs, family businesses, and the German middle class, which would be endangered by a higher inheritance tax. Accordingly, business assets should be privileged. If this were not given, Germany would no longer be able to stand out in international competition. Value-based narratives were the second most frequent theme in their RON, with particularly frequent references to poor framework conditions and the fact that the inheritance tax is unfair. Dissatisfaction with the state also came up. In addition, the inheritance tax was placed in the context of wealth, which needed to be preserved.

The smallest group, four out of 18, was neither pro nor contra. Unlike the contra group, these actors emphasized that the principle of merit must be recognized – this would speak in favor of an inheritance tax, even if wealth is generally understood in family terms. However, in contrast to the pro group, these actors also used property-preserving narratives, stressing that business assets should be protected. Inheritance tax should not be allowed to jeopardize the existence of family businesses.

The RON of the pro group is mixed: Although the pro narratives predominate, individually the most frequently mentioned narratives are those related to business. In particular, the German *Mittelstand* and family businesses were mentioned. Philanthropy could act as a suitable alternative to the inheritance tax. Notwithstanding, these actors mainly emphasized value-based narratives. The performance principle was the strongest among the pro-narratives. Performance, they argued, must be worthwhile and has not been provided by heirs; accordingly, it would be fair to levy a higher inheritance tax. Moreover, the inheritance tax could help reduce inequality and provide funds for important investments. The existing privileges for the rich and for business assets were criticized. These are unjustified and, even if it should be difficult to tax business assets in such a way that no jobs should be lost, the debate should not fail because of such technical issues.

What assumptions can finally be derived from the analysis of the RON of economic elites? First, there is no *one* economic elite. The group of actors has similar opinions on some issues, but on most of them, and especially on the inheritance tax, opinions diverge widely. Second, the narrative analysis shows how strongly narratives with an economic connection dominate among the economic elites in general. In none of the six subdivided groups were these narratives not at least

strong. This means that, within the macrosocial category, these narratives are not crucial for attitudes toward the inheritance tax. Third, consistent with the second finding, attitudes toward the inheritance tax are strongly dependent on whether property-preserving beliefs or values-based narratives dominate the RON. If actors' values-based narratives are dominant, macro-social democracy and inequality are mentioned more often and attitudes are more pro. In contrast, if property-preserving narratives are strong, attitudes toward the inheritance tax tend to be negative. Fourth, the analysis of the interviews suggests that there is often a lack of knowledge about connections between wealth inequality and inheritance taxes. I do not say this presumptuously at all; it is a fact that was often pointed out to me by my interviewees from them, is also in line with the findings of Bastani and Waldenström (2021) and is understandable given the complexity of the subject matter. Fifth, and related to the last point, it becomes clear how much research and communication work needs to be done to debunk persistent political myths (Heidenreich 2022). And sixth, the RONs provide good guidance on where to start with this endeavor.

Thus, in the critical discussion of the RON, I have deduced four reasons why education cannot be the answer to the currently prevailing extreme and growing wealth inequality. First, statistically, Mexico and Germany are inheritance societies, not meritocracies: inheritances have a greater significance for wealth than one's own performance can have. This is especially the case as, second, r is greater g , since existing tax systems privilege capital and cannot address this difference with diligence. Third, because education is only a vague promise for the future but wealth inequality is a present problem. Fourth, because, taken by itself, the focus on a meritocracy, as Nachtwey (2017), Markovits (2019), Sandel (2020), and Schürz (2020) show, reduces equity politics to the horizontal logic of inequality. As Schürz says, education does not provide a solution to the problem, but merely distracts from it (Schürz 2020, 97). If the problem lies in extreme and growing wealth inequality, the answer does not lie in education.

The question of whether inheritance taxes could be an instrument for reducing wealth inequality is a question of political will and design. Whether, for example, wealthy people can move abroad and thereby avoid tax; whether assets can be shifted into different forms of investment to optimize tax; whether, as in Germany, the tax-free allowances can be used every ten years through gift tax; whether children or multimillionaires like Mathias Döpfner can be defined as “needy” and unable to pay the tax – all these are questions of tax policy, some of which go directly, some of which go beyond those of inheritance tax. But the fact that there are these loopholes and optimization possibilities to avoid tax is not God-given and does not follow a natural law. It is politics and so, while I understand these objections, I consider them surmountable. As historical analysis has shown, for example, agreements with other countries, foreign tax laws, more fairness in the tax system as a whole, and higher penalties can be used to respond to this behavior. Is this a simple undertaking? Certainly not. Not only because, as one expert points out in an interview, issues of wealth taxation cannot be tackled nationally on their own (ITV #21). But are these problems insoluble? Both historical analysis and the current trend of an emerging paradigm shift lead me to answer in the negative. For “[t]olerating tax avoidance is a choice that governments make [and]

tax evasion," according to Saez and Zucman, "is not an unchangeable fate that condemns any project for greater tax justice to failure. Tolerating tax evasions is a choice we collectively make, and we can make other choices" (Saez and Zucman 2019, 55, 66). Tax morality is an expression of the dominant paradigm and

"depending on which understanding of tax morality prevails in the discourse, tax cuts are implemented, controls are tightened, tax loopholes are closed or expanded, taxpayers are addressed and treated differently, or educational campaigns are conducted."

(Schönhärl 2019, 187)⁵⁴⁶

There is no doubt that the path towards global tax justice is difficult; however, it is a viable one. With the regulation for a global minimum corporate tax, a first and important step has been taken: On October 8, 2021, 137 countries agreed that multinational enterprises (MNEs) with a turnover of more than 750 million euros should pay at least 15 percent in taxes (see OECD 2021b). For decades, the development of taxes on companies knew only the downward trend. Recently, the course was changed. The OECD/G20 Inclusive Framework on BEPS⁵⁴⁷ proves that alternatives to the race to the bottom exist and that international cooperation in the realm of taxation is possible. A start "to ensure a level playing field" has been made (OECD 2023, 7).⁵⁴⁸

In my interviews, I told all interviewees at the outset that I was interested in their narratives and personal attitudes, that there was no right or wrong; what mattered were their ideas, norms, and values. On an individual level, I mean this sincerely and honestly. In many cases, attitudes toward inheritance tax are about the role one assigns to the state and the understanding one has of taxes. But if growing wealth inequality is understood to be a social problem – and this is the scientific consensus, as well as that of the international community, as expressed in SDG 10 – then effective instruments are needed to counter wealth inequality. In this respect, I am critical of the view that wealth-based taxes are bad. Not only progressive economists, but also the OECD is very clear in its recommendation: If wealth concentration is to stop growing exponentially, high and progressive taxes on inheritances are an important instrument.

Treating business assets in a privileged manner, as is currently the case in Germany, is in my view counterproductive in this sense. Until 1996, there was no protection whatsoever, and yet it was possible for a strong middle class to develop in Germany and for not a single case to be known in which jobs were lost because inheritance tax had to be paid. Moreover, business assets are held by the richest in society: the top 1.5 percent own over 86 percent of all business assets (Schröder

⁵⁴⁶ „Je nachdem, welches Verständnis von Steuermoral sich im Diskurs durchsetzt, werden Steuersenkungen durchgeführt, Kontrollen verschärft, Steuerschlupflöcher geschlossen oder ausgeweitet, Steuerzahler:innen anders angesprochen und behandelt oder Aufklärungskampagnen durchgeführt.“

⁵⁴⁷ BEPS stands for "base erosion and profit shifting"; according to the OECD, such "practices cost countries 100 to 240 billion USD in lost revenue annually" (OECD 2023).

⁵⁴⁸ At the time I finish this thesis, the regulations have not yet been finally implemented. On December 22, 2021, the EU finance ministers adopted the corresponding proposal (EC 2021). In the USA, on the other hand, there is talk that "Joe Biden's tax proposals fall short of OECD standards" (FT 2022).

et al. 2020). But if jobs are not at risk, as the OECD estimates in its report (OECD 2021a, 59-60), and as the Scientific Advisory Council to the German Federal Ministry of Finance stated back in 2012 (WB-BMF 2012, 11); if privileges even tend to endanger jobs because heirs are not necessarily the best managers (OECD 2021a, 60); if, moreover, as two experts interviewed said, dormant holdings by the state and deferrals would be possible (ITV # 43, 21) – in other words, if economic damage were averted by a precise and clever design of the inheritance tax: To what extent can privileges for high business assets still be justified?

From a critical perspective, the narrative of double taxation must be countered by the fact that it is the heir that pays the inheritance tax, and that multiple taxation, although not at this point, is quite common elsewhere in everyday life (think of any purchase, when one pays the value added tax with already taxed income; see also OECD 2021a, 60). Even if the inheritance tax were structured differently – as, for example, under Matthias Erzberger, when there was an inheritance tax, on top an estate tax, and an addition for high estates if the heir was wealthy; or in the US, where the estate tax on inherited wealth functions like a final wealth tax – there would be nothing inherently contradictory to double taxation. If the politically declared goal would be to effectively reduce wealth inequality, the question of double taxation would also be a political one. Currently, however, reforms that consider a double taxation are not on the political agenda, neither in Mexico nor in Germany. In fact, apart from inheritance tax, there is no talk of any taxes on wealth that should be levied in addition or increased. For, as has been shown, taxes are not framed in politics as they were in the times of Pani and Cárdenas, Erzberger and Brandt, as instruments of justice and for reducing inequality. And this despite the fact that Mexico and Germany are among the most unequal democracies in the world.

Extreme wealth inequality is an extreme problem for the continued existence of liberal democracies. This brings us full circle to the starting point of this thesis. That wealth inequality is problematic is not a matter of opinion; this observation is scientifically well-founded and agreed upon by a large number of academics, progressive as well as now even neoliberal (see Feld. et al. 2020). Millionaires and billionaires also increasingly hold the view and advocate for a more equitable distribution of wealth (*Tax Me Now, Patriotic Millionaires, Millionaires for Humanity*). Such advocates for higher taxes may be in the minority, as they were in my interviews, but this group shows: Attitudes toward wealth inequality, the state, and taxes are not determined by how wealthy someone is. Preferences and positions can be far apart regardless of one's wealth. One's position within the wealth distribution is neither a necessary nor a sufficient criterion to explain attitudes. An expression of this is the large proportion of the population that opposes strengthening the inheritance tax – even if it would not affect them directly on their tax returns. What is decisive is the RONS embedded in one's own paradigmatic conviction.

In the past, wealth-related taxes in particular have reduced wealth inequality (Piketty 2014, 196; Albers et al. 2020, 23). Inheritances play not only one but the main role when it comes to extreme and growing wealth inequality. Inheritance tax has the potential to counteract the *longue durée* or

the growing trend toward *inheritance societies* – always and only if it is designed to be high and progressive in the sense of redistribution. But for this

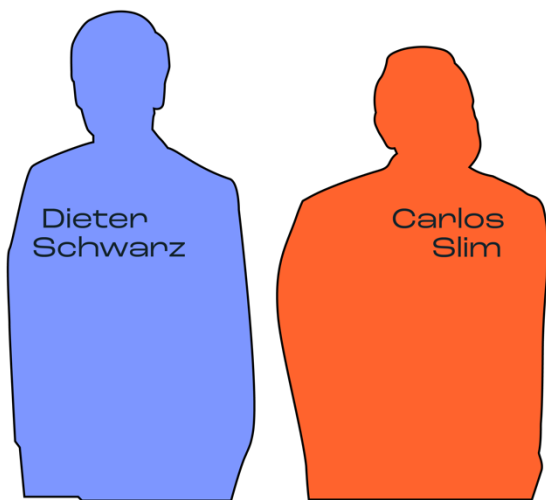
"we need a new [old] narrative that acknowledges the realities: extreme levels of inequality are extremely destructive, even for the wealthy. It leads to social stagnation. It breeds division and resentment. It fosters conditions that are dangerous for all."

(Dixson-Declève et al. 2022, 121)

In the past, the inheritance tax has experienced strengthening and weakening. Whether it was strengthened or weakened, it has never undergone its changes alone. Throughout its history, it has consistently been part of a bouquet of taxes that collectively expressed the dominant paradigm. Changing the status quo required strong politicians to give force and expression to their convictions. In the past, reinforcements were made when the issues of inheritance tax were not focused on the economic aspects, the means to an end – for example, what could be financed –, but when overall social issues of democracy, justice, and less inequality were at the forefront.

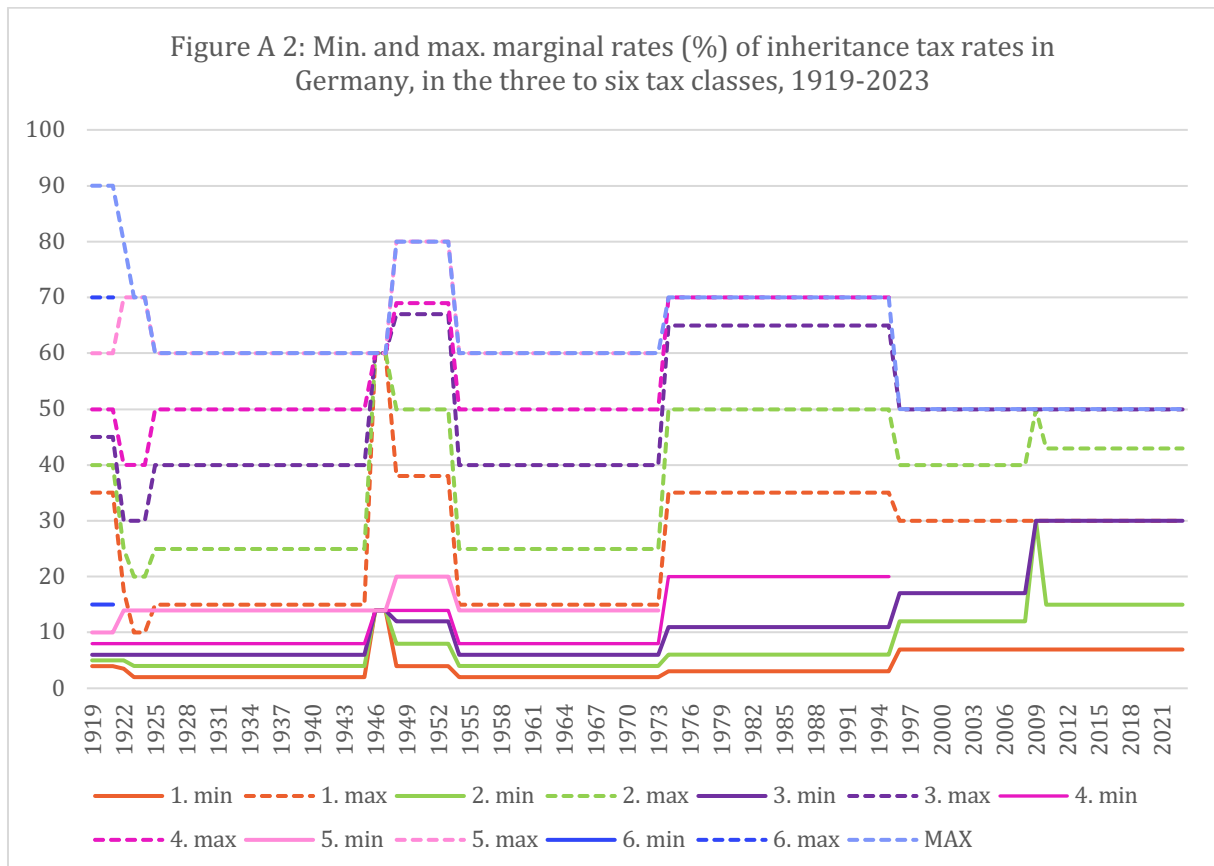
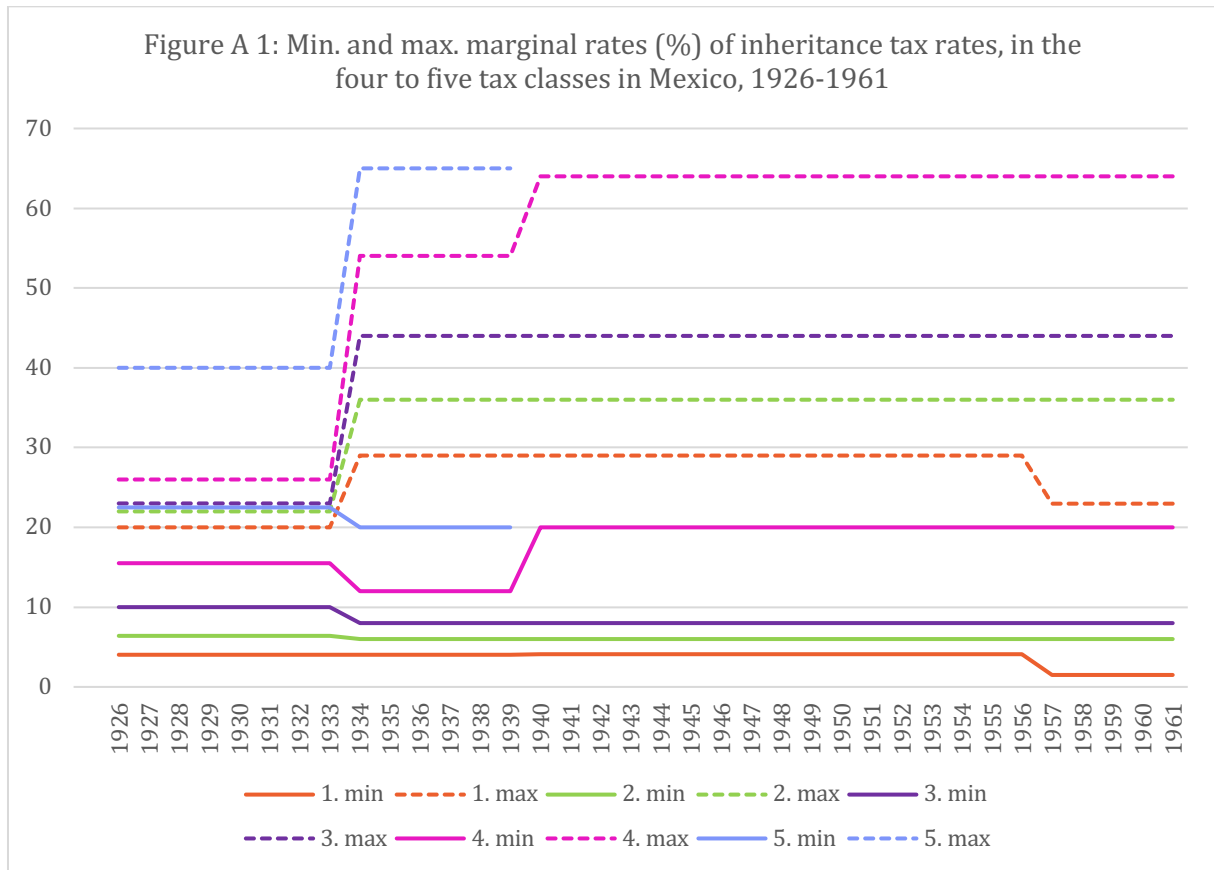
In both Mexico and Germany, a change in the status quo is currently neither in sight nor does it appear to be an easy undertaking. In Mexico, it is President AMLO personally who opposes it, whereas in Germany, no one from the political elite is advocating reforms for a stronger inheritance tax. Unlike the last three tax reforms in Germany, however, civil society organizations and associations have been in place for several years to counterbalance the financially powerful lobby of huge family businesses. These norm entrepreneurs do not leave the scene for lobbyists as *Stiftung Familienunternehmen*. It will be a difficult, yet not an impossible task to shift the weight towards greater tax justice.

Neoliberalism, according to Fraser (2019, 29), Piketty (2022, n.p.), and Mariana Mazzucato, is dying, "but the new is *struggling* to be born" (Mazzucato 2022, n.p., italics by the author). Based on the historical analysis, I argue that for a new paradigm to see the light of day, war events are neither a necessary nor a sufficient condition. Rather, to change the paradigm, it is necessary to change the RON on taxes; such a change in the RON precedes a change in tax policy. To be more efficient, the repertoire must be formulated in a congruent and consequent manner. This means, taken to its logical conclusion, to put the focus of taxation (back) on issues of democracy, justice, and reduced inequality – and not on economic growth, performance, and government revenues according to the neoliberal doctrine. However, in order to gain ground, these RON need strong advocates that act out of conviction; that use their power as to puzzle (Hecló 1974, 305); that question and overcome the old RON and hence may establish a new (old) RON and a new paradigm. For the challenges of the 21st century, liberal democracies need resilient, progressive tax policies guided by universally accepted equity considerations. If the neoliberal paradigm is indeed overcome, if taxes are once again understood as a democratic instrument of justice to reduce inequality, a strengthening of the inheritance tax is conceivable. For, as Anthony Atkinson once said, "the solutions to the problems lie in our hands" (Atkinson 2015, 308).



The orange bar started at the beginning.
The blue bar at page 218.
These bars represent the wealth of
Carlos Slim, 88 billion euros, and
Dieter Schwarz, 45 billion euros.
In comparison to Slim's and Schwarz's wealth,
spanning over more than 445 and 225 pages,
1.5 cm is approx. 10 million euros.
1 mm is approx. 670,000 euros.

Appendix



Sources: own compilation, in accordance with inheritance tax laws in Mexico and Germany.

Table A 1: Overview of all interviewees

<i>ITV</i>	<i>Year</i>	<i>Name</i>
1	2019	Michael Weltzin
2	2020	Joe Kaeser
3	2020	Bernhard Osburg
4	2020	Alice Krozer
5	2020	Carlos Alba Vega
6	2020	Edgar Zavala Pelayo
7	2020	Marcela Briz Garizurieta
8	2020	Ricardo Tirado
9	2020	Miguel Messmacher Linartas
10	2020	Andrea Arenas Fuentes & Alejandro Porcel Arraut
11	2020	Wolfgang Schmidt
12	2020	Bernhard Lorentz
13	2020	Hagen Pfundner
14	2021	Premal Desai
15	2021	Arnd Koefler
16	2021	Annalena Baerbock
17	2021	Peter Gerber
18	2021	Dr. Alexis von Honesbroech
19	2021	Dr. Richard Pott
20	2021	Dr. Martin Brudermüller
21	2021	Leonhard Birnbaum
22	2021	Markus Steilemann
23	2021	Carlos Hurtago López
24	2021	Wolfgang Nickl
25	2022	Marc Spieker
26	2022	Ute Wolf
27	2022	Carlos Martínez Velázeques
28	2022	Markus Krebber
29	2022	Carlos Garcia Moreno Elizondo
30	2022	Carlos Salazar Lomelín
31	2022	Carlos Valenzuela
32	2022	Martina Merz
33	2022	Guillermo Babatz
34	2022	Gerardo Esquivel Hernández
35	2022	Raymundo Miguel Campos
36	2022	Luis Madrazo Lajou
37	2022	Horacio Enrique Sabarzo Fimbres
38	2022	Jan-Hendrik Goldbeck
39	2022	Tania Rabasa Kovacs
40	2022	Carlos Noriega Cortiz
41	2022	Patricia Terrazas Baca

42	2022	Antonio del Valle Perochena
43	2022	Alma Rosa Moreno
44	2022	Mario Rodriguez Carillo
45	2022	Jorge Álvarez Máñez
46	2022	Karen Kovacs
47	2022	Claudio X. Gonzáles Laporte
48	2022	Pablo Gonzáles
49	2022	Armando Santacruz
50	2022	René Freudenberg
51	2022	Francisco Cervantes
52	2023	Jose Medina Mora
53	2023	Alejandro Ramírez Magaña
54	2023	Jaime Reyes Robles
55	2023	Francisco Mayorga
56	2023	Marisa Lazo
57	2023	Cesar de Anda
58	2023	Carlos Slim Domit
59	2023	Achim Truger
60	2023	Tilo Jung

Legend

20	MEX Economic Elite
6	MEX Political Elite
12	MEX Expert
18	GER Economic Elite
2	GER Political Elite
3	GER Expert

Note: The numbers from 1 to 60 present the chronological order of my interviews; these are not the numbers ascribed to the interviewees, as I guaranteed my interviewees anonymity.

Table A 2: Mexican economic elite – narrative analysis on inheritance tax

ITV#	22	25	34	36	38	24	31	32	28	23	26	27	35	29	30	33	37	39	40	41	P+	C-	T
PRO	1	1	1	1	1																5		
CONTRA						1	1	1						1	1	1	1	1	1	1			11
AMBIGUOUS																							/20
<i>Value based</i>							1	1													32	26	58
Fairness, justice			1		1		1	1			3	2		1							8		8
Principle of equality	1	2	1			1		2		2			2								3	1	4
„Oportunidades“						1		2		1	1	1									10		10
Principle of merit	1	2	1		1			1													9		9
Ownership principle (fam.)	1	2	1		1		1	2		1	1	1		1	3	1	3	2	1	2	1	3	4
Framework conditions	1	2			2	1	1	1		1	1		1	3	1	3	2	1	2	2	1	22	23
<i>Macrosocial</i>																					7	32	39
Means to an end	1	1					1			1				1	1	1	2				3	6	9
Democracy												1									1		1
Inequality				1			1		1		2		1								3	3	6
Home ownership							1						1							1		3	3
Economic reference	2			1						1			2		3	1		4	2			16	16
-jobs													2									2	2
Double taxation									1										1			2	2
Socialism/Communism																						2	2
<i>Dissatisfaction and suspicion</i>																							
Dissatisfaction	1		1	3			2	1			2				1			3		1	5	35	40
State budget			1	1			1	1			2										2	13	15
Philanthropy											1			1	1	3	2	3			1	5	6
Corruption														1			3					11	11
(Privileges) Rich										1				1								3	3
(Privileges) Business assets	2						1														2	3	3
<i>Envy, resentment</i>																							
Principle of justice																							
Envy																							
State begrudged																							
<i>Property preservation</i>																							
Principle of equality																					2	27	29
Property principle	1								1	1		1	2	1		2		1			1	10	11
Types of income																1						1	1
Foreign dimension	1						2							2	2	4	1	2		3	1	16	17

Table A 3: German economic elite – narrative analysis on inheritance tax

ITV #	7	11	12	13	15	16	2	4	5	9	1	3	6	8	10	14	17	18	P+	C-	T	
PRO	1	1	1	1	1	1					1	1	1	1	1	1	1	1	6		8	
CONTRA							1	1	1	1												/18
AMBIGUOUS																				29	29	58
<i>Value based</i>																						
Fairness, justice	1			2	1										2	2				3	5	8
Principle of equality					1		1							1						1	2	3
„Opportunities“	1			1	1									1						3	1	4
Principle of merit	1			2	4	2	1	1	2	1	1			1	1	1				15	3	18
Ownership principle (family)				1			3				1		1							1	5	6
Framework conditions				3	3+2	1+1					1	1		1	3	2	1			6	13	19
<i>Macrosocial</i>																			14	46	60	
Means to an end					3								1					1	4	4	1	5
Democracy				1									2					1	3	1	1	4
Inequality	1	1	1		1			1							1				5	1	6	
Home ownership		1				1															2	2
Economic reference				1								4						1	1	5	6	
- Jobs								1									2	3			6	6
- Middle sized businesses	1		1	2	2		1				2				1	1					11	11
- Familienbetriebe				1	3				1	1	3				1	1		1			11	11
Double taxation								1					2+1	1	2	2			1	8	9	
Socialism/Communism																						
<i>Dissatisfaction and suspicion</i>																			8	21	29	
Dissatisfaction											1	1	1		1					4	4	
State budget					3															5	5	
Philantropy					1							1							1	1	2	
Corruption																						
Lobbyism				1																1	1	1
(Privileges) Rich				1	1	1									1				3	1	4	
(Privileges) Business assets	2	1		2					2	1		1	2		1		1		3	10	13	
<i>Envy, resentment</i>																			1	9	10	
Principle of justice														3						3	3	
Envy					1					1					1					3	3	
State begrudged								1		1	1								1	3	4	
<i>Property preservation</i>																			5	22	27	
Principle of equality						2									1						3	3
Property principle						1	1				1				1		2				6	6
Wealth creation						2								1				1			4	4
Types of income																						
Foreign dimension			1	1	2	1	1				2				3	3			5	9	14	

Table A 4: Survey – Mexican economic elite

<i>Question</i>	<i>Absolute</i>	<i>Relative</i>
1. The privatization of public services and parastatal companies over the past Decades...		
has gone too far	4,5	25
was the right size	5	27,78
should be expanded further	6,5	36,11
don't know/other	2	11,11
2. The level of revenue in Mexico of 16,1% (GDP) in 2018 was...		
was too high	0	0
was exactly the right amount	1	5,56
should be higher	17	94,44
don't know	0	0
3. Ultimately, everyone benefits when the economy is doing well. Do you agree?		
fully	4	16,67
rather yes	11	61,11
rather not	3	16,67
not at all	0	0
don't know	0	0
4. The risk for social decline in Mexico is today, compared to previous generations ...		
much bigger	0	0
bigger	5	27,78
same	4	22,22
smaller	9	50
much smaller	0	0
don't know	0	0
5. The unequal distribution of income and wealth in Mexico is increasingly becoming a problem for social cohesion in the population. Do you agree?		
fully	9	50
rather yes	8	44,44
rather not	1	5,56
not at all	0	0
don't know	0	0
6. Someone who is very rich in Mexico generally deserves his/her wealth. Do you agree?		
fully	1	5,56
rather yes	5	27,78
rather not	10	55,56
not at all	1	5,56
don't know	1	5,56
7. The government should protect and/or support people more if they are at risk of losing their jobs to a large extent as a result of digitization or globalization. Do you agree?		
fully	6	33,33

rather yes	10	55,56
rather not	2	11,11
not at all	0	0
don't know	0	0
8. Would you agree that the state should invest more in climate protection, modern schools and universities and better equipment for the railways?		
yes	18	100
not at all	0	0
don't know	0	0
8a. IF YES: In what form? The state should invest significantly more through ...		
new loans	3	16,67
increases in taxes and duties	11	61,11
cuts elsewhere, no new loans	4	22,22
other	0	0
9. What should be the most important goals of the state in the medium term (one answer + addition possible)?		
prioritizing economic growth	7	25
eradicate poverty and reduce inequality	8	28,57
reduction of state intervention in the economy	0	0
preserve democracy	5	17,86
promote greater citizen participation in political decisions	2	7,14
In addition: _____	7	25
10. What are the most serious consequences of poverty and inequality in your country (up to two possible answers)?		
violence and crime	11	33,33
clientele policy	8	24,24
lack of qualified employees	3	9,09
lack of demand (under-consumption)	2	6,06
class conflict	4	12,12
morally wrong	5	15,15
11. What is the best way to reduce inequality?		
more efficient social benefits	7	35
higher social benefits	1	5
higher deregulation of the economy	0	0
more progressive income taxation	2	10
higher wealth taxes	0	0
land reform	0	0
employee participation in profits and operating results	2	10
better education	8	40
birth control	0	0
12. If there was a general election next Sunday, which party would you vote for?		
Morena	1	7,69
PAN	2	15,38
PRI	0	0

PRD	0	0
MC	1	7,69
No one/different	9	69,23
13. Which party did you vote for in the last federal election?		
Morena	2	15,38
PAN	3	23,08
PRI	5	38,46
PRD	0	0
MC	2	15,38
Did not vote	1	7,69
Notes: 8a, other		
Enfocarse solo en lo más importante y donde los privados no lo pueden hacer bien.		
Aumentar la base de contribuyentes		
Disminuir informalidad		
Invertir correcta- y honestamente estos impuestos para mejorar la infraestructura a la calidad de la educación		
Apoyo a iniciativas que mejoren el medio ambiente		
Al consumo		
Notes: 9, in addition		
Generar oportunidades		
Desarrollar capacidades (educación) y ofrecer oportunidades, empulsar la inversión		
Proponer modelos para cambios del futuro (Zukunftsfähigkeit)		

Table A 5: Survey – German economic elite

<i>Question</i>	<i>Absolute</i>	<i>Relative</i>
1. The privatization of public services over the past decades...		
has gone too far	3	20
was exactly the right size	5	33,33
should be expanded further	7	46,67
don't know	0	0
2. How do you think about the Agenda 2010 which called on people to take more personal responsibility and care more about own provision for their future?		
very good	6	40
rather good	7	46,67
rather bad	2	13,33
very bad	0	0
don't know	0	0
3. Ultimately, everyone benefits when the economy is doing well. Do you agree?		
fully	8	53,33
rather yes	6	40
rather not		0
not at all	1	6,67
don't know	0	0
4. The risk for social decline in Germany is today, compared to previous generations ...		
much bigger	3	20
bigger	8	53,33
smae	1	6,67
smaller	0	0
much smaller	3	20
5. The unequal distribution of income and wealth in Germany is increasingly becoming a problem for social cohesion in the population. Do you agree?		
fully	5,5	36,67
rather yes	6,5	43,33
rather not	2	13,33
not at all	1	6,67
don't know	0	0
6. Someone who is very rich in Germany generally deserves his/her wealth. Do you agree?		
fully	3	21,43
rather yes	4	28,57
rather not	6	42,86
not at all	0	0
don't know	1	7,14
7. The government should protect and/or support people more if they are at risk of losing their jobs to a large extent as a result of digitization or globalization. Do you agree?		
fully	3	23,08

rather yes	6	46,15
rather not	3	23,08
not at all	0	0
don't know	1	7,69
8. Would you agree that the state should invest more in climate protection, modern schools and universities and better equipment for the railways?		
yes	14	93,33
not at all	1	6,67
don't know	0	0
8a. IF YES: In what form? The state should invest significantly more through ...		
new loans	5,5	39,29
increases in taxes and duties	4	28,57
cuts elsewhere, no new loans	4,5	32,14
don't know	0	0
What should be the most important goals of the state in the medium term (one answer + addition possible)?		
prioritizing economic growth	5	27,78
eradicate poverty and reduce inequality	2	5,56
reduction of state intervention in the economy	2	5,56
preserve democracy	11	61,11
promote greater citizen participation in political decisions	0	0
In addition: _____		
10. What are the most serious consequences of poverty and inequality in your country (up to two possible answers)?		
violence and crime	3	15
clientele policy	2	10
lack of qualified employees	3	15
lack of demand (under-consumption)	3	15
class conflict	5	25
morally wrong	4	20
11. What is the best way to reduce inequality?		
more efficient social benefits	1	5,56
higher social benefits	0	0
a free market	0	0
more progressive income taxation	2	11,11
higher wealth taxes	0	0
land reform	0	0
employee participation in profits and operating results	1	5,56
better education	14	77,78
birth control	0	0
12. If there was a general election next Sunday, which party would you vote for?		
CDU	3	23,08
SPD	1,5	11,54
Greens	4,5	34,62

FDP	4	30,77
Linke	0	0
AfD	0	0
13. Which party did you vote for in the last federal election?		
CDU	5	35,71
SPD	3	21,43
Greens	3	21,43
FDP	3	21,43
Linke	0	0
AfD	0	0
Notes: 9, in addition		
Bildung		
Zukunftsrahmenbedingungen setzen		
Nachhaltige Wertentwicklung		
Ökologische und soziale Rahmenbedingungen, Resilienz sichern, soziale Sicherheit		
Vernünftige Rahmenbedingungen für die Wirtschaft und den Erfolg		
Zukunftsanforderungen gestalten		
Mechanismen schaffen, dass Leistung sich lohnt		

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⁵⁴⁹ Different from the German legal texts of the *Erbschaft- und Schenkungsteuer* that I conducted unisono in the *Reichsgesetzblätter* and *Bundesgesetzblätter*, my sources of the legal texts in Mexico vary; the inheritance tax laws and gift taxes from 1926, 1934 and 1940 stem from an overview by Manuel Andrade (n.d.). My thank to Francisco Robles-Rivera who helped me get the book. The legal texts of laws and reforms between 1940 and 1961 are from the archives from the Mexican Senate and Parliament. I am grateful for the major support of Lizbeth Martínez Martínez, who searched for documents during the Corona pandemic in the archives, when travelling was not possible for me. Given the different sources yet the same topic, I decided to list the legal texts until 1940 by the name, thus LISD and LISHL at the beginning.

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