



Somos
Innovación

Page 2

CIUDADANO
AUSTRAL



WEALTH TAX

A BRAKE ON INNOVATION AND DEVELOPMENT



INTRODUCTION

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ONE OF THE MOST POPULAR MEASURES AMONG THE POLITICAL SECTOR IS THE BELIEF THAT THE RESOURCES, INHERITANCE, AND WEALTH OF PEOPLE OR GROUPS CONSIDERED HAVING MORE ECONOMIC CAPACITY THAN THE COMMON ONE CAN BE TAKEN BY FORCE...

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One of the most popular measures among the political sector is the belief that the resources, inheritance, and wealth of people or groups considered having more economic capacity than the common one can be taken by force - using the state as the instrument for this dispossession. This assault is usually carried out through constitutional juggling that allows excessive taxes to be implemented on certain people, thus violating what we conceive in the republic as "equality before the law."

Equality before the law is vital because it requires that every person be treated on an equal footing, regardless of background, religion, beliefs, or political position. In the same way, this principle guides that no person suffers discrimination and that their human dignity is respected.

To promote this selective discrimination against groups that are considered to have more economic resources and violate their rights, collectivist politicians often use newspeak, specifically to manipulate citizens from rhetoric and thus camouflage the violation of individual rights. Among those words of the newspeak, we have the term "super-rich", the cual uses envy as one of the determining factors to achieve its objectives, which is to place in a lower echelon of citizens these so-called "super-rich".

However, the further individuals are from terms that motivate resentment, envy, and anti-values. In the opposite direction, success and overcoming are exalted, the more material and spiritual wealth can be obtained as a society. In this exact order of ideas, we can quote the German sociologist Helmut Schoeck who in his work "Envy and Society" highlights:

"Most of the conquests that distinguish today's men, with their evolved cultures and their nuanced and differentiated societies, from those of more primitive stages, that is, the history of civilization is the result of innumerable defeats of envy, that is, of the envious"¹

The success of societies is not possible when the State apparatus is hated or used to take from those who have more. Among what is needed for such success is to guarantee respect for the

¹ Schoeck Helmut. *Envy and society*. Editorial Union. pp. 17.

private property of all, which begins in our own body and extends to what we create with work and intelligence.

Taking this as a reference, there was a draft agreement, promoted by parliamentarians of the Communist Party and the Broad Front, that set a tax on the "super-rich" in Congress in Chile. Despite not having been successful in previous months, the new presidency of Gabriel Boric represents a latent threat not only to fundamental rights such as property and equality before the law but to the freedom and development of Chile, which is the country with the best indicators in Latin America.

From that starting point, where the socialists and communists have the power, it is worth remembering that the narrative of the aforementioned project has as its primary focus inequality, which is used as an excuse to be able to obtain from the productive sectors an equivalent to 2.5% (as was the initial proposal), of its Patrimonio in an egalitarian epic.

The delicate thing about this struggle for equality carried out by these political groups is that it does not imply a social equalization upwards, but downwards, as has indeed happened in societies such as Venezuela. It would even be worth assessing whether this political initiative will fulfill its mission. Still, the experience of other countries highlights the obvious: There can be no prosperous nation if those who have the most are attacked and become sacrificial animals.

However, it is necessary to refer back to Dr. Schoeck when he explains the motivations of those who promote these proposals and what may be behind them:

"It has always been warned that the envious hardly feel any interest in making a kind of transfer that makes him the owner of the values envied to a third party. They would like to see the other stolen, dispossessed, plundered, humiliated, hurt, but they rarely imagine things like a transfer or own benefit of the goods of another. The chemically pure envious is not a thief or a swindler."²

Behind politicians, there are human beings who depend on their thinking and can be moved by positive or negative motivations, so it is clear that plundering is one of the worst of these motivations. Their most recent representation is in proposing excessive taxes to specific groups.

The government's job, then, is to ensure respect for individual rights, which includes respect for the rights of those who have more and those who have nothing, all equal before the law. Cannibalism to wealth driven by low feelings such as envy or with a logic of failed ideologies of the twentieth century is not the best remedy to combat poverty, nor is it justifiable even in times of crisis.

² Schoeck, Helmut. *Envy and society*. Editorial Union. pp. 21.

CHILEAN REGULATIONS

One of Chile's great successes is related to its respect for property and equal treatment before the law of all Chileans. This can be seen in Article 19 of the Constitution, specifically in paragraph 20 that typifies:

"The equal distribution of taxes in proportion to income or the progression of form established by law, and the equal distribution of other public charges.

In no case may the law establish manifestly disproportionate or unfair taxes.

The taxes that are collected, whatever their nature, will enter the patrimony of the Nation and may not be affected by a specific destination.

However, the law may authorize those certain taxes that may be affected for national defense. Likewise, it may authorize that those that tax activities or assets that have a clear regional or local identification can be applied, within the frameworks that the same law indicates, by the regional or communal authorities for the financing of development works."

This would lead us to the fact that any assault to impose a tax on wealth would be unconstitutional since it violates what the Constitution establishes in the aforementioned article. By trying to strip 2.5%³ of the inheritance of certain Chileans by treating them disproportionately and unfairly because another group considers that their wealth is enormous and they want to appropriate it, to distribute it supposedly, what they achieve is the generalized decadently.

About this initiative that involves using the state against groups because of their economic differences with the common, it would be worth remembering the professor of the Free International University of Social Sciences Guido Carli (LUISS), Lorenzo Infantino, reminds us in his work "Order without a plan" the role of the state:

"The state must not intervene in the initiatives of individuals. Its Functions are:

- a) Protect society from violence and the invasion of other independent societies;*
- b) To protect every member of society from injustice and oppression as far as possible. Of any other member, that is, the function of establishing an equitable administration of justice"*

³ CNN Chile, Vallejo for tax on the "super rich": "We have a president in hiding, taking care of his friends' pockets", Available at: <https://cutt.ly/yvyfpO5>

Then these functions would also be violated by using the state as an instrument for the aggression of members of society with the justification that the wealth they created and possess must be used or distributed among the collective.

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IT IS INTERESTING HOW THIS TYPE OF INITIATIVES THAT VIOLATE THE CONSTITUTION, VIOLATE THE RIGHTS AND PLUNDER THE WEALTH OF OTHERS, ALWAYS FIND ACTIVE INTELLECTUAL SUPPORT...

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In the same way, it is interesting how this type of initiatives that violate the constitution, violate the rights and plunder the wealth of others, always find active intellectual support, to the point that institutions such as the University of Talca, have published news where they cite experts in wealth taxes to justify these acts, such is the case of the researcher at the University of Zurich, Florian Scheuer who states:

In these times of pandemic, "the main benefits of wealth taxes are that they can increase the progressivity of the general tax system, given that wealth is usually extremely concentrated, and generate additional revenue for much-needed public spending." He also stressed that in Latin America, wealth taxes could contribute to building a middle class and calming the ultra-reformist impetus.

Scheuer's research showed how many developed countries have experienced considerable increases in inequality due to the extraordinary concentration of fortune in a percentage of the population. He suggests raising other taxes and closing certain tax privileges that billionaires possess to narrow this gap.⁴

This type of lobbying and promotion leads public opinion to believe that there is indeed some benefit in taking away from some to give to others, and wealth is seen as a privilege. Still, in reality, such wealth is the product of creating the mind and the sense of opportunity.

It remains to be highlighted which are the actual measures that have made Chile a prosperous country, and those measures have been adopted by its neighbors and have failed economically in a resounding way. The positive thing is that the Chilean constitution already delimits a way forward, which must be referred to the evidence of the facts not to reach states of other societies where the property is not respected. It is believed that all wealth can be taken by force.

⁴ *Universidad de Talca, Wealth Tax in Chile: international expert affirms that "it is fundamental to achieve a more equitable redistribution of income and raise fiscal resources"*, Available in: <https://cutt.ly/2vyh3po>

INTERNATIONAL COMPARISON

What concerns the countries that currently charge a wealth tax in Latin America? We have 3 cases, and these cases also have different ways to carry out this measure. These countries are:

1. Uruguay: In this country, the tax has the name of Wealth Tax and taxes the net worth of natural and legal persons. This includes assets such as cash, precious metals, credits in favor of the taxpayer, vehicles, real estate, etc. For individuals and families residing in Uruguay, it goes from 0.4% to 0.7%, and for non-resident individuals, it goes from 0.7% to 1.5%.

2. Colombia: Here, the net worth of natural and legal persons in Colombia is taxed and calculated by taking the total gross assets minus the debts, including goods abroad. It has a one-time rate of 1% for a net worth of over US\$1.5 million (approximately).

3. Argentina: This is called the personal property tax. It taxes the gross assets of natural and legal persons in Argentina, including real estate, cars, banknotes, bank current accounts, balances of common funds and other non-exempt investments, antique works of art, household objects, and goods abroad. For goods in the country, the tax rate ranges from 0.5% to 1.25%, while goods abroad vary between 0.7% and 2.25%.⁵

Although this type of tax has a dangerously romantic argument, it would be worth carefully evaluating its effects and how societies would have better results if they did not have these taxes.

To clarify this last point, it is necessary to bring up the jurist Martín Litwak who, in his book "Tax havens, tax hells," exposes:

The tax known internationally as "wealth tax" and that some countries call "personal property tax" does not serve to collect, does not create adequate incentives and does not promote the distribution of wealth. Still, quite the opposite, and that is why it should be eliminated instead of increased or, if strictly

⁵ BBC news, *The 3 Latin American countries that charge wealth tax (and what results they have had)*, Available at: <https://www.bbc.com/mundo/noticias-51099710>

necessary, be transformed into a tax that affects only immovable property located in the country in question.⁶

Effectively the goals set with the wealth tax instead of being achieved create negative incentives in society, increasing resentment as it is an assault on the wealth created by others. The approach should be directly reversed, not to take away who has more. But fighting poverty with cunning makes conditions for people to have more opportunities that result in a comprehensive improvement to their quality of life.

POSSIBLE SOLUTIONS

The ideal approach is to generate more wealth and integrate people into that productive process where individual ideas and capacities can be developed, which makes the level of Chilean society rise every day. For this purpose, it is necessary irrepensible respect for property, so that it is safe from any attempt at the looting that comes from the political sector, who for the most part have not created anything productive and are therefore guided by wrong premises that are highly harmful.

Similarly, the more economic freedom there is and Chileans can participate in the market, the more innovation will be created, which will allow poverty to remain in the past. In addition to this, teaching programs such as business management, effective administration, intelligent commerce, and more are necessary, which boost the full potential of citizens.

Respecting other people's wealth is another fundamental step and giving these successful people greater incentives to create more businesses in the country. This will be transformed into more jobs, more technology and services available to more people, and greater social enrichment.

CONCLUSION

The bill proposed to be carried out is harmful to the country and represents an attack on Chilean society, the most prosperous society in the region. The wealth tax effects are multidimensional. First, it mobilizes feelings that are not typical of prosperity and

⁶ *Diario del Oeste, Por that the wealth tax is a nefarious idea, what are tax hells and the 10 commandments of fiscal policy, Available at: <https://www.diariodeloeste.com.ar/por-que-el-impuesto-a-la-riqueza-es-una-idea-nefasta-que-son-los-infiernos-tributarios-y-los-10-mandamientos-de-la-politica-fiscal/>*

development as envy within the culture. It is also unconstitutional because it violates equality before the law typified in the constitution and affects fundamental rights such as property and life.

Suppose the tax is applied to the "super-rich" by the new government's decision that Chile will have in charge of Gabriel Boric. In that case, it will mean the beginning of the debacle of Chilean society and disrespect for individual rights, so before carrying out this project or any other similar, the measures that serve to exploit the creative capacity of Chileans, so that they are masters of their destiny, carrying out productive initiatives and business plans, and not destroying the other members of the same society.

These initiatives not only do not achieve their collection objectives as we saw before, but in the face of innovation, they represent a great brake. Let's evaluate the standards of the countries with the most thriving societies. The result will give us that these countries respect property, greatly emphasize education, and reject looting as political action. Chile's prosperity and development compared to that of its neighbors is primarily the result of doing things right and respecting the human dignity of each member of society, which will be decisive for the future and this country always to be better and grow more.

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