

# Current Concerns

The international journal for independent thought, ethical standards, moral responsibility,  
and for the promotion and respect of public international law, human rights and humanitarian law

English Edition of *Zeit-Fragen*

## Plutocracy or democracy?

### What the federal popular initiative “Micro-tax on cashless monetary transactions” wants to contribute to this question

Interview with Professor Dr Marc Chesney

*Current Concerns: Professor Chesney, what was the impetus for launching a popular initiative in favour of a completely new form of taxation? As a rule, popular initiatives aim to improve unsatisfactory arrangements. What shortcomings or deficiencies would you like to remedy with the micro-tax?*

**Marc Chesney:** Our tax system is complex and archaic. In times of the digitalisation of the economy, it is counterproductive to

tax labour and consumption as heavily as we are doing now.

Moreover, a micro-tax would act like sand in the wheels of Finance Casino. The volume of electronic transactions has been huge for about 30 years now. It is equivalent to about 150 times the GDP of Switzerland. It is simply oversized for our society. The related costs (commissions or fees) are incurred by the economy and a very small minority takes advantage of this situation.

*In its texts, the initiative committee points to the importance of cashless monetary transactions, which it describes as the “central nervous system of the real and the financial economy”; and it goes on from here. Up to now, it was primarily the individual who was taxed for his or her work – at least paid work. Now monetary transactions are to be taxed. What do you see as the advantages of this form of taxation?*

It is too often that the digitalisation of the economy destroys jobs and human labour in general, instead of generating leisure time and higher wages, as should be the case in a well-organised society. Not everyone can become a computer scientist! To mitigate the trend towards underemployment and precariat, electronic transactions should be taxed instead of labour.

*At the media conference in March last year (see the initiative committee homepage) it was said that the micro-tax would bring transparency to payment transactions and strengthen Switzerland as a sovereign country. Could you explain that a little?*

Cashless monetary transactions are opaque. Not all data is available. E.g., information about intrabank transactions, i.e. within a bank, transfers between the National Bank and commercial banks, and about transactions related to derivatives or cryptocurrencies, etc., is either missing or incomplete.

Since taxpayers are liable for the risks of big banks, they should at least know

## Editorial

Since 25 February 2020, the collection deadline has been running for the federal popular initiative “Micro-tax on cashless Monetary Transactions”, which is presented in more detail below – in an interview and in the box with short questions and answers on the topic of micro-tax. This initiative would deserve far more attention than it currently receives: it is, after all, a very well-conceived approach to getting under control the huge disparity between the economic performance of national economies on the one hand and the incredible amounts traded in the global financial economy in the form of mostly opaque financial products on the other. The money that is shifted in this area – for example in the form of bets on corporate defaults or the eventually bankruptcy of companies – corresponds to a multiple of the economic performance of the national economy, even in our country. The vast majority of these financial transactions are, however, obviously beyond any kind of control. This global financial casino not only endangers national economies, because in the event of the next crisis, it is of course primarily the “man and woman in the street” and taxpayer who will be asked to pay. The huge sums of money here allowing the particular interests of a few to be secured also endanger democracy, because plutocracy goes hand in hand with venality, corruption, manipulation of public opinion etc. An automatically generated tax on all credits and debits via electronic payment transactions could create transparency here. Those who really want to avoid tax evasion and tax havens and not just wage economic warfare in this sector would definitely have to espouse such a tax. Moreover, the taxation of this sort of financial transactions would always be fairer than the taxation of labour: it would be levied automatically and of course lay a heavier burden on those who operate with larger amounts.

Certainly, the financial casino will continue to massively manage the “business with fear”, as *Marc Chesney* puts it, and continue to peddle the argument that such “senior positions” as the management of a major bank should only be entrusted to the “best”, which necessitates corresponding salaries (and bonuses). In his



(Picture ma)

**Marc Chesney** studied mathematics at the Université de Paris, where he received Master's degrees in Applied Mathematics (1983) and in Econometrics (1984). In 1986, he obtained a Master's degree in Economics from the University of Geneva, where he received his PhD in Finance (1989, with honors). In 1994 he habilitated at the Panthéon-Sorbonne University. From 1993–2003 he was professor at the *École des hautes études commerciales de Paris* (HEC). Since 2003 he has been professor of mathematical finance at the University of Zurich, where he is also head of *Institute of Banking and Finance* and of the *Center of Competence for Sustainable Finance*. Marc Chesney takes a critical view on financial markets and big banks. His research focuses on financial crises, systemic risks generated by financial innovation and global debt, financial markets manipulations and insider trader activities as well as globalisation and financialisation of the economy in general. He is the author of several articles on the dangers associated with the size and complexity of the financial sphere. Marc Chesney is a member of *Finance Watch*.

**"Editorial"**

continued from page 1

book "The Permanent Crisis"<sup>1</sup> Chesney cites the example of *Joseph Cassano*, director of AIG, the North American insurance company that had made a massive bet on the survival of *Lehman Brothers*. As a result, AIG had to be rescued by the American taxpayer. It is true that Joseph Cassano resigned from his position as director; but he continued to be employed as a consultant with a monthly salary of 1 million dollars. In the film "Inside Job" it is said that this consulting contract was to ensure that AIG could "retain that intellectual knowledge"<sup>2</sup> Countless others were left with nothing thanks to this "intellectual knowledge".

We humans often seem to forget very quickly – although there are many who keep warning that this crisis is anything but solved and that, on the contrary, the 30 or so systemically relevant big banks as well as hedge funds etc. have strengthened their position even further. What the initiative could definitely achieve in this context is the urgently needed debate on these existential questions, which we will sooner or later be facing again in very concrete terms – if the plebiscite comes about. The deadline for collecting signa-

tures (somewhat postponed in the wake of the COVID-19 provisions) is 5 November 2021. By end of April, around 50 000 signatures had been received. Everyone who wants to give this urgent discussion a chance can make their small but important contribution to this in our direct democracy. (<https://micro-tax.ch/en>)

Erika Vögeli

<sup>1</sup> Chesney, Marc. *A Permanent Crisis: The Financial Oligarchy's Seizing of Power and the Failure of Democracy*, Palgrave MacMillan, London 2018

<sup>2</sup> Film *Inside Job*, around min. 79.50 (<https://www.youtube.com/watch?v=T2laJwkqgPk>)

"In March of 2008 AIG's financial products division lost 11 billion Dollars. Instead of being fired *Joseph Cassano*, the head of AIG FP was kept on as a consultant for a million dollars a month." (When interrogated on this subject, *Martin Sullivan*, AIG Financial Products CEO up to June 2008, said, "... and you want to make sure that the key players and the key employees within AIG FP, that we retain that intellectual knowledge.")

The **initiative committee** is composed of personalities who are primarily professionally involved in the subject of finance, taxation and/or IT against the background of their often many years of professional experience. Among them are emeritus and still working professors from economics, finance, electrical and computer technology, as well as experienced personalities in the field of asset management, business and administration. Politicians and former politicians are

also represented. However, the initiative sees itself as politically independent.

*Felix Bolliger*, lic. oec. HSG, owner of *Felix Bolliger AG für Vermögensverwaltung* 1987–2017; Professor em. *Beat Bürgenmeier*, Professor of the University of Geneva in economics; Professor em. *Franco Cavalli*, former National Councillor, Head of the *Institute for Oncological Research* in Bellinzona; Professor Dr *Marc Chesney*, professor of finance at the University of Zurich and author of the book "A Permanent Crisis", Palgrave MacMillan, London 2018. [marchesney.com](http://marchesney.com); *Hélène Gache*, politician and managing director of an SME in the field of consulting and IT; Professor Dr *Anton Gunzinger*, Professor Dr ETH, owner of *Super Computing Systems (SCS) AG*, Zurich; *Gérard Jolimay*, former managing director of a large service company and now very involved in the political and association world; *Andrea Lacroix* practised as a lawyer at the *Geneva Bar Association* for twelve years and currently holds a senior position in the administration of the canton of Geneva; *Dick Marty*, former member of the Council of States, public prosecutor of the canton of Ticino and former member of the parliamentary delegation to the Council of Europe; *Guy Mettan*, journalist and politician; *Jean-Cédric Michel* is active as a lawyer internationally in Switzerland, Europe and the USA; Professor Dr *Sergio Rossi*, Ph.D., is a full professor at the University of Fribourg (Switzerland) at the Department of Macroeconomics and Monetary Economics; Dr rer. pol. *Oswald Sigg*, journalist, worked for SDA and SRG (news agency and TV) and in the Federal Administration, 2005–2009 Speaker of the Federal Council and Vice-Chancellor of the Swiss Confederation; Dr iur. *Jacob Zraggen*, member of the Executive Board of *Bank Julius Baer* 1981–1993; since 1994 independent business lawyer and member of the board of directors of various SMEs.

## Swiss plebiscite (federal popular initiative) "Micro-tax on cashless Monetary Transactions"

ev. The text of the initiative concerns Articles 128, 130 and 132 of the Federal Constitution.

On the basis of the current Article 128 of the Federal Constitution, the Confederation may levy a (progressive) direct federal tax of a maximum of 11.5% on the income of natural persons and a maximum of 8.5% on that of legal persons. This tax is to be replaced by the micro-tax on cashless payment transactions. Article 130 of the Federal Constitution regulates value added tax. It is to be deleted without replacement, as is Article 132 paragraph 1 of the Federal Constitution, which regulates stamp duty. Paragraph 2 on the withholding tax remains.

The Federal Constitution<sup>1</sup> is modified as follows:

### Art. 128 (new) Micro-tax on cashless monetary transactions

- 1 The Confederation levies a micro-tax on all cashless monetary transactions by charging a single tax rate on each debit and credit. The intention is to simplify the tax code and to make finance flows transparent. The maximum rate of the micro-tax is 5 per mil.
- 2 The micro-tax replaces the value added tax VAT, the direct federal tax and the federal stamp duty.

- 3 The micro-tax revenue finances the tasks of the Confederation and compensates the cantons for cancelled contributions from the direct federal tax income.

- 4 When regulating the micro-tax, the legislator is bound to apply following rules:

- a) Swiss domestic processors of cashless monetary transactions are legally obliged to collect the micro-tax automatically. They will be remunerated adequately for this service.
- b) Systematic netting is micro-taxed on full value basis. The tax obligation is fulfilled by self-declaration.
- c) The micro-tax is levied also on cashless monetary transactions processed abroad for persons with fiscal domicile or fiscal residence in Switzerland. The tax obligation is fulfilled by self-declaration.
- d) If a foreign state introduces a micro-tax equivalent to the Swiss micro-tax, the double taxation is regulated by double taxation agreements.

- 5 Intent and purpose of the micro-tax must be respected.

### Art. 130 repealed

### Art. 132 heading and alinea 1

Withholding tax

- 1 repealed

### Art.197 Cipher 12<sup>2</sup>

12. Transitional regulations ad Art. 128 (micro-tax on cashless monetary transactions)

- 1 Within four years of the adoption of Article 128 by the People and the cantons, the Federal Assembly shall enact the provisions necessary for its implementation and for the abolition of value added tax, direct federal tax and stamp duty.
- 2 In the first year after the implementing provisions come into force, the tax rate is 0.05 per mil. Subsequently, the tax rate will be adjusted so that VAT, direct federal tax and stamp duty can be reduced and repealed as soon as possible.
- 3 After acceptance of Article 128 by people and cantons, the Swiss National Bank publishes on a monthly basis the totality of the cashless monetary transactions, inclusive sight deposits, intrabank payments und payments processed by new technologies.

<sup>1</sup> SR 101

<sup>2</sup> The final cipher of the transitional regulations will be defined by the federal chancellery after the plebiscite.

## Brief questions and answers on the topic of the microtax

by Professor Dr Marc Chesney

### Question 1: What is the microtax?

It's about simplifying and modernizing a complex, outdated and bureaucratic tax system. How? Precisely by considering the enormous tax base which all electronic transactions would represent. It would correspond to approximately CHF 100,000 billion annually. Levying a microtax on this "macro" tax base would generate approximately 100 billion francs. This would do away with 3 taxes: the federal direct tax, the Value Added Tax, the stamp duty.

### Question 2: On what and how will it be deducted?

Very simply, automatically. Every time we go to the hairdresser or to a restaurant and pay by credit card, every time we withdraw money from a cash machine, every time we buy stocks using a computer, every time we pay other bills using a smart phone, a 0.1 % microtax will be levied. Let me give you an example: If I withdraw CHF 100 from a cash machine. From that CHF 100, 0.1 %, or in this case, 10 cents, will be automatically deducted as federal micro tax.

### Question 3: What taxes will it replace?

The taxes it would eliminate are: the VAT, the federal direct tax and the stamp duty. The first, the VAT, corresponds to approximately 23 billion francs. The second, the federal direct tax, to 22 billion. The third, the stamp duty, to 2 billion. That means we would need around 47 billion francs. Yet, this 0.1 % microtax applied to 100,000 billion francs this enormous tax base – would generate precisely 100 billion francs, much more than what is needed to eliminate these 3 taxes, in this case, 47 billion francs.

### Question 4: What is the current volume of electronic transactions in Switzerland?

Actually, I have cited this gigantic volume of annual electronic transactions in Switzerland, around 100,000 billion francs. I say 'around' because we don't have access to all the data. For example, internal bank transactions, i.e. those conducted within one bank, transactions made in microseconds or in milliseconds, those related to cryptocurrencies, those related to derivatives, etc. So, 100,000 billion Swiss francs is a conservative figure. The tax base might actually be greater.

### Question 5: Will this tax have an impact on the volume of electronic transactions?

Indeed, the introduction of such a microtax would very likely have an impact on the total volume of electronic transactions. The impact could be positive or negative, in other words, the volume could increase or decrease. Why decrease? Because one could imagine that the electronic transactions made in milliseconds or in microseconds could be offshored. Why increase? Because inversely, companies based abroad in France, Germany or Italy for example, would be very interested to come and set up business in Switzerland, given that the system would be even more transparent than before, less bureaucratic, and taxes would be lower. Please allow me to give an extreme example: Let us suppose that 80 % of electronic transactions were offshored from one day to the next. In order to eliminate the

3 taxes already mentioned – the VAT, the stamp duty and the federal direct tax – we would need CHF 50 billion ... ok, a bit less ... 47 billion francs. A 0.1 % microtax would generate only 20 % of the initial amount, in this case 20 billion francs. In order to abolish these 3 taxes, we would need to work with 0.25 % instead of 0.1%. 0.25 % would generate exactly 50 billion francs. But a tax rate of 0.25 % is still microscopic. Therefore, we still have a lot of leeway.

### Question 6: What will the advantages be for Swiss people and for small and medium sized businesses?

Let us take a concrete example of a family of four: a father, mother and two children. Let us assume that this family's annual income is 100,000 francs. If both the VAT and the federal direct tax were eliminated, this family would save approximately 4,000 francs per year. Small and medium-sized businesses will benefit in terms of both money and time. In terms of time, because the introduction of the microtax will eliminate the bureaucracy associated with the VAT. In essence, for 99 % of households and businesses, the introduction of the microtax will have a positive effect.

### Question 7: What will its impact be on the banks?

The financial sector is not homogenous. Our project intends to compensate financial institutions when they play the role of tax collector. Based on this, the small banks could be in favor of the project as they will be compensated for simple, automated work. The big banks, however, will probably be opposed to such an initiative given that they actively carry out electronic transactions in milliseconds and microseconds. One can well imagine that even though the rate is very low, after a few minutes or a few hours, their tax bill will be very high.

### Question 8: Why introduce such a tax today?

Society is facing major challenges. I will mention four of them. 1. First of all, an outdated, complex and bureaucratic tax system dating back to the 19th century. It's time to modernize it. 2. A "finance casino" system in which the main actors are the so-called systemic banks – around 30 global banks among the 30,000 in total, as well as the important actors in what is called "shadow banking". These actors help themselves rather than the economy. 3. Digitalization. Today, it is counterproductive to tax labor while it tends to decrease. What it is really about, is taxing electronic transactions. And finally, global warming, for which solutions will need to be found quickly. Not only for us, but also for future generations. Now, it is a question of putting in place measures that meet these four challenges.

### Question 9: How does it respond to the digitalization of the economy?

With regard to the digitalization of the economy, allow me to consider a few examples. When we go grocery shopping, instead of dealing with checkout assistants, we increasingly interact with self-checkout machines. Soon we will see self-driving taxis in our cities. And therefore, we will be confronted with massive un-

deremployment. Intelligent solutions will need to be found, because a democratic society cannot function with an under-employment rate of 20 %, 30 % or 40 %. The microtax is precisely one of these solutions as it taxes electronic transactions rather than labor.

### Question 10: How does it respond to the climate challenge?

Regarding the climate challenge and the contribution the microtax could make, remember that a 0.1 % microtax should generate 100 billion francs. Yet, we would need 47 billion francs in order to eliminate the 3 taxes in question. What should be done with the surplus? Allocate it precisely to the energy transition.

### Question 11: Does this initiative stem from a political party?

No, this initiative does not have a political affiliation. It transcends party lines. We maintain our independence and are in contact with various parties. In the end, it comes down to modernizing an outdated tax system for the benefit of the greatest number of people.

### Question 12: Can Switzerland alone launch the microtax?

Yes, of course, Switzerland can launch such an initiative on its own. The first country to put in place a microtax will have a true advantage over other countries, because it will attract many companies who will also want to benefit from the advantages associated with the microtax.

### Question 13: Does the microtax differ from the Tobin tax?

Yes, the microtax differs from the Tobin tax for essentially two reasons. First, it applies to all electronic transactions and therefore not only to financial transactions linked to derivatives, stocks and bonds, but to all electronic transactions made across the entire economy. Second, it does not involve adding a new tax – there are already enough of them – it is about eliminating some of them, in this case 3.

### Question 14: Will this tax apply to multinational corporations?

Yes, indeed, the microtax would constitute a solution to the large-scale tax optimization carried out by multinational corporations, and, in particular, by the 4 giants: *Google, Apple, Facebook and Amazon*. Wherever their headquarters are located, once they have clients or suppliers in Switzerland, for example, the microtax would be levied on every electronic transaction.

### Question 15: Are you not afraid that Swiss banks could offshore their activities?

Offshoring electronic transactions would not allow big Swiss banks to avoid taxation. Indeed, the text stipulates the responsibility of the group as a whole. Therefore, if a big Swiss bank conducts a transaction between Frankfurt and London rather than Geneva and Zurich, for example, it will be required to declare the transaction and pay the microtax. And if it does not, it will constitute an offence.

Source: <https://micro-tax.ch/en/the-initiative/current/>

**"Plutocracy or democracy?"**

continued from page 1

how large this oversized volume is and understand its inherent dangers.

*In the age of digitalisation, the issue of monitoring and control is of great importance. What do you say to this? Doesn't the tax carry the danger of pushing the abolition of cash – seen by many people as a correspondingly dangerous development?*

No, the micro-tax does not imply the abolition of cash. Our wages have not been paid in cash for a long time. To receive cash, you first have to go to a cash machine. And as soon as, say, 100 francs are taken, 10 centimes are levied as a micro-tax, and of that perhaps 1 or 2 centimes remain as payment for the bank. Only after that, when an amount due is paid in cash, transactions are not taxed.

*The text of the media conference also points to the fact that Swiss payment traffic – although vital and central for citizens, entrepreneurs and the state – is currently delegated to private companies – initially to the private SIX Payment Services Ltd, which has been owned by the French company Wordline since the end of 2018, with SIX Group Ltd receiving 27% of the shares in Worldline. The text also points out that the privatisation of the public good of cashless transactions poses the risk that the "today still largely*

*sovereign state of Switzerland and its financial system could be overrun". Could you explain this in a little more detail? To what extent could the micro-tax initiative help here?*

The payment traffic is essential within a modern economy and should be a public good. Unfortunately, this is not the case. As a consequence of its privatisation, payment traffic is opaque and its oversizing poses dangers. The micro-tax initiative aims to shed light on this.

*Specifically, on the implementation of the initiative: Who would determine the micro-tax rate, and in what form should/ could this be implemented, or who would then be responsible for it – in view of today's privatised payment traffic?*

Specifically, and as planned in the initiative text, the micro-tax rate should be fixed at 0.05 permille in the first year of implementation. This means that if you pay a bill of CHF 1000, then 5 centimes will be levied as micro-tax. That is almost nothing, almost invisible. At the beginning, the goal is to precisely measure the huge volume of electronic transactions. After a year, we will know whether it is 150 times or, say, 200 times the GDP. After that, the State will have the responsibility to set the rate every year, so that first the VAT and then the direct federal tax and the stamp duty will be abolished. Another objective would be to help, without generating further debt, all those who are suffering financially in the pandemic.

At some point, the financial sector and especially the big banks should contribute to this. The recent scandals and losses of *Credit Suisse* show that the priority of big banks is unfortunately different, namely to continue to run the financial casino economy. In the medium term, the micro-tax rate should be 0.1 % and this should raise about 100 billion francs per year.

*The initiative affects three federal taxes. To be sure, the taxpayer's main tax burden falls on state and municipal taxes. So why did the initiators choose the federal tax?*

The micro-tax committee has set its focus exclusively on federal taxes. In order to abolish certain cantonal taxes as well, the political representatives of the cantons concerned should organise a local vote.

*Could the principle also be applied to cantonal and communal taxes? Would that be financially viable or implementable in a fair way? Would this not lead to a centralised administrative apparatus in the allocation of tax revenues?*

The principle could also be transferred to cantonal and communal taxes in order to abolish local taxes. Without VAT and its inherent bureaucracy, the centralist administrative apparatus should become smaller, not larger. •

Further information on this popular initiative at: <https://micro-tax.ch/en>

## Current Concerns

The international journal for independent thought, ethical standards, moral responsibility, and for the promotion and respect of public international law, human rights and humanitarian law

### Subscribe to Current Concerns – The journal of an independent cooperative

The cooperative *Zeit-Fragen* is a politically and financially independent organisation. All of its members work on a voluntary and honorary basis. The journal does not accept commercial advertisements of any kind and receives no financial support from business organisations. The journal *Current Concerns* is financed exclusively by its subscribers. We warmly recommend our model of free and independent press coverage to other journals.

Annual subscription rate of  
CHF 40,-; Euro 30,-; USD 40,-; GBP 25,-  
for the following countries:

Australia, Austria, Belgium, Brunei, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hongkong, Iceland, Ireland, Israel, Italy, Japan, Kuwait, Liechtenstein, Luxembourg, Netherlands, New Zealand, Norway, Qatar, Singapore, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, USA

Annual subscription rate of  
CHF 20,-; Euro 15,-; USD 20,-; GBP 12,50  
for all other countries.

Please choose one of the following ways of payment:

- send a cheque to *Current Concerns*, P.O. Box, CH-8044 Zurich, or
- send us your credit card details (only *Visa*), or
- pay into one of the following accounts:

CH:	Postcheck-Konto (CHF):	87-644472-4	IBAN CH91 0900 0000 8764 4472 4	BIC POFICHBEXXX
CH:	Postcheck-Konto (Euro):	91-738798-6	IBAN CH83 0900 0000 9173 8798 6	BIC POFICHBEXXX
D:	Volksbank Tübingen, Kto. 67 517 005, BLZ 64190110		IBAN DE12 6419 0110 0067 5170 05	BIC GENODES1TUE
A:	Raiffeisen Landesbank, Kto. 1-05.713.599, BLZ 37000		IBAN AT55 3700 0001 0571 3599	BIC RVVGAT2B