



Markus Pertl
Chairman
The Stern Stewart Institute

Angie for a Day!

Does Angie still have dreams? Just imagine you were in her shoes. Just imagine you yourself could give it a try. Nothing really to lose. But this unbelievable opportunity to finally have an impact on a different scale.

Of course there are obstacles. You need a coalition partner. Only in nightmares, could I imagine another grand coalition. The final death-blow for all visionary change. A free ride for the positioning of the extreme right and left-wing parties down the road.

No. Imagine yourself running a minority government. You have to come up with great proposals. Ideas that every time have to convince. The people. And some other parties.

What is really missing, for Merkel, or for you in her shoes, is a vision, are some dreams. But, of course, the night will end. Reality will force concrete decisions.

I tried to challenge you with a poll. More than 100 most senior decision-makers shared their views.

What did I ask? Money talks.

The German government earns and spends roughly €1.5 trillion. What would in power you change?

What should the next German government aim for?

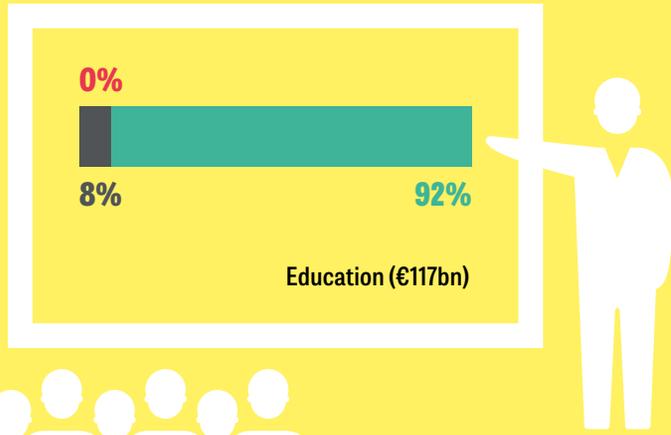
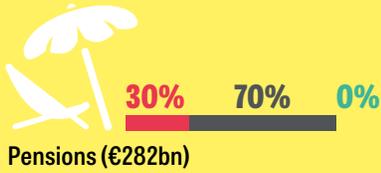
First the ground rules! 87 percent of you clearly state that in these good times, **government should achieve a balanced budget or create a surplus**. There goes the dream of unlimited resources.



What would you prioritize?

Imagine a surplus: **Would you invest more or lower taxes?** Imagine a deficit: Would you cut budgets or raise taxes? 50/50! Clearly not all of you are republican. You are not dogmatic. We have to make it more concrete.





How would you reallocate spending?

So, how exactly would you allocate your spending? Let's start with big money. **Pensions, healthcare, social welfare.** 100, 92, 93...percent of you would like to cut or at least keep stable.

You clearly don't care about reelection. Ok, you are independent. But I am not sure if you and I still share the same world?

What about demographics? Pensions and healthcare costs are not on the rise? Realistically? What about technology and the winner takes it all? Do you really think that we will cope with less distribution of our nation's wealth? I have my doubts.

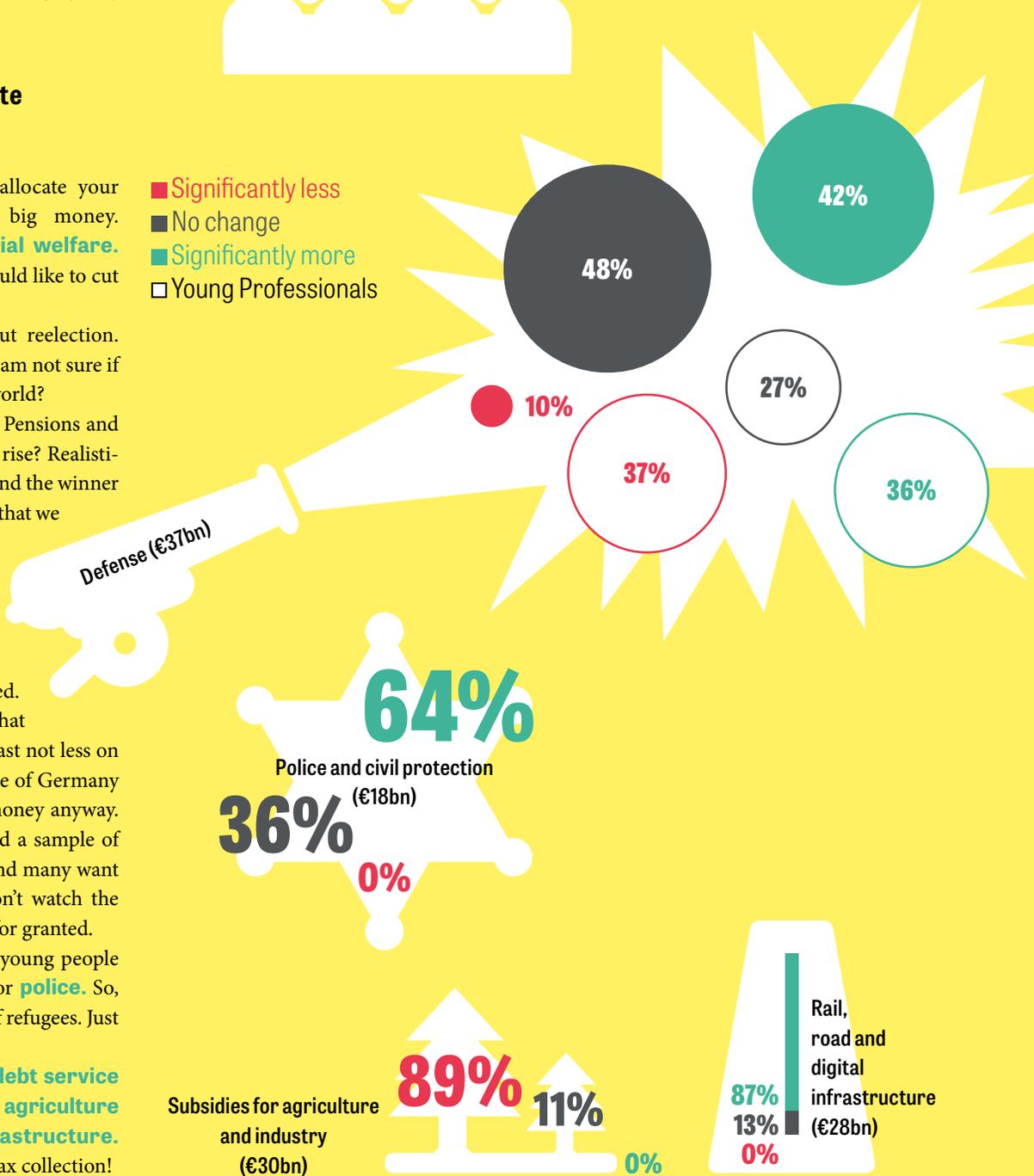
Education: Luckily, here we all agree. Significantly more investments will be needed.

90 percent of you believe that we have to spend more or at least not less on **defense.** Of course, in the case of Germany we are not talking about big money anyway. Interesting though, I also asked a sample of young people. They disagree and many want to spend less. Maybe, they don't watch the news. Take freedom of course for granted.

Now you and the group of young people agree again on more money for **police.** So, even young people are scared of refugees. Just not of Putin. He is cool.

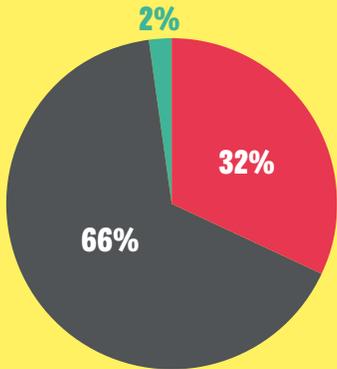
At 0 percent interest rate, **debt service** does not really matter. Less for **agriculture** more for the **digital infrastructure.** Pocket change. Let's switch to tax collection!

- Significantly less
- No change
- Significantly more
- Young Professionals

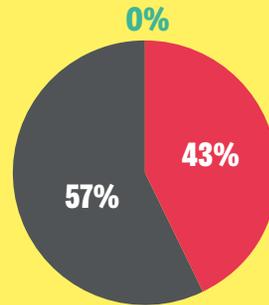


How should the German government change tax income?

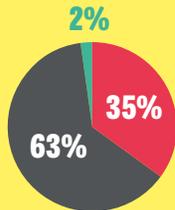
- Significantly less
- No change
- Significantly more



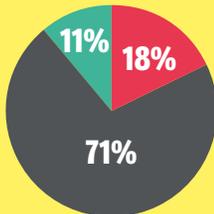
Social security contributions (€490bn)



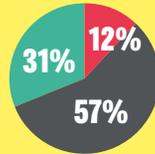
€40,000 – €125,000 income (€131bn)



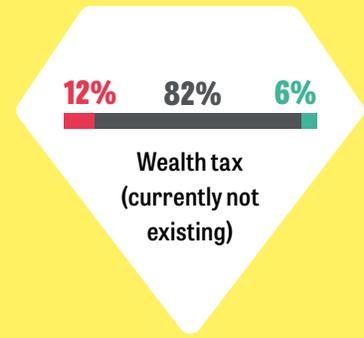
< €40,000 income (€46bn)



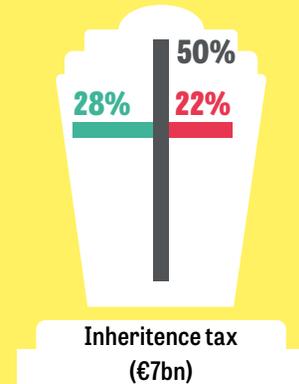
€125,000 – €500,000 income (€64bn)



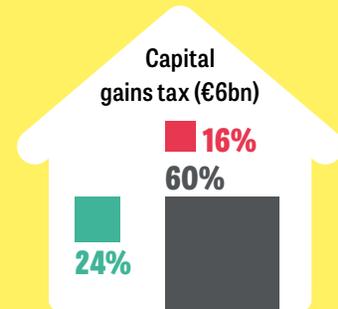
> €500,000 income (€29bn)



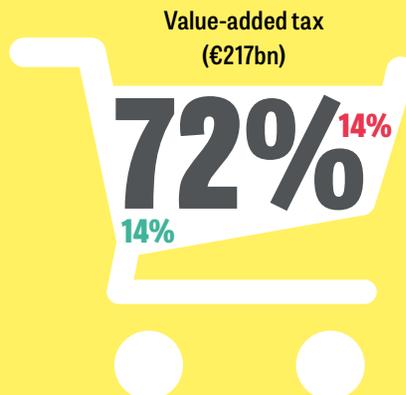
Wealth tax (currently not existing)



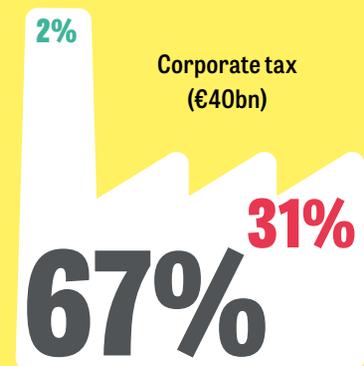
Inheritance tax (€7bn)



Capital gains tax (€6bn)



Value-added tax (€217bn)



Corporate tax (€40bn)

Where do you get your money from? I guess, it's good to know which cows are used to being milked.

Employees of course! 50 percent of all state income comes from **social security** and **income taxes**.

Not even half of you believe we have to lower taxes for income below €100,000. I dare to disagree. Right now, unemployment really is not an issue. But 10 years down the line it might be.

Investments in technology are really cheap. Financing right now feels almost free. But labor is completely overpriced. What is the logic? What incentive is it, to make work expensive? Or worse not worthwhile for the employee? Why are we even talking about a general income "Grundeinkommen" before we have even eliminated tax on lower income?

One third of you want to increase tax on income above €500,000. I could imagine that was the entrepreneurs participating in the poll. They don't mind if managers pay more than 50 percent in taxes. Managers, who do all the work. On the other hand, of course, let's keep free lunch for wealth and inheritance!

Less than 1 percent of the total tax income comes from **wealth, inheritance** or **capital gains**. But still two-thirds of the poll participants don't want a change.

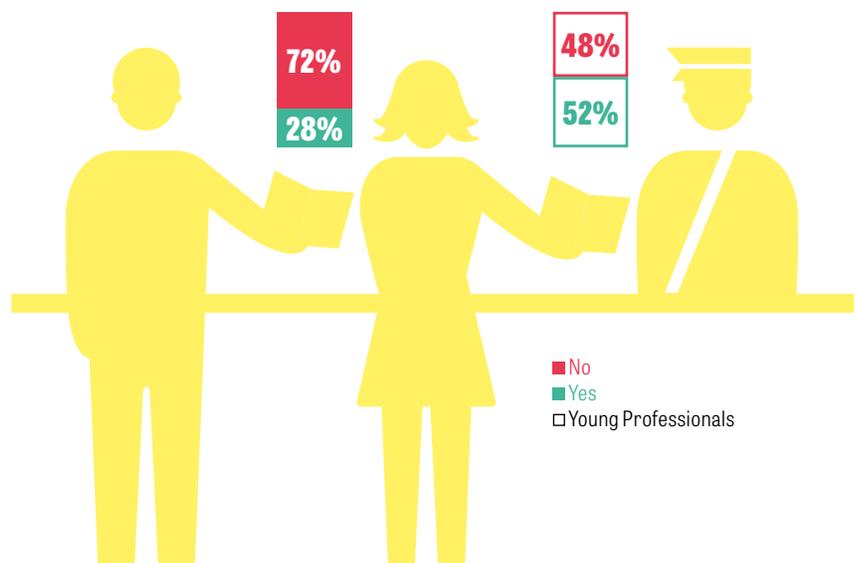
So lots of taxes on the thousands and the millions, but no taxes on the billions. Some times it feels to me as if we are culturally stuck. Stuck somewhere between monarchy and socialism. It is ok to be born rich. But we are skeptical about who wants to become rich. Don't touch wealth. But envy the success of an achiever.

The other relevant source of income is the **VAT**. The lower the income of people, the higher their relative share of consumption. In other words, there is a limit to an increase of the VAT.

And finally, **corporate tax**. One third in our poll demand lower taxes. But maybe more now, after Donald Trump has succeeded in lowering corporate taxes in the States. But it is not as big an issue as one might think. Only 3 percent of total tax income.

Should German nationals be taxed in Germany regardless where they live (just like US nationals)?

As a foreigner, I also wanted to know **what is the value of a German passport?** 80 percent of you believe not much. It is ok to be a German and pay no or little taxes somewhere else. Personally, I put so much value on the opportunity Germany gives to me everyday. At least, 50 percent of the young people agree with me.



Do we qualify?

To sum it up, we all are qualified. Qualified as good politicians. Because the math does not add up. Lower taxes, more investments, less spending where it is not realistic and still a balanced budget. A good accountant is all we need. ♣