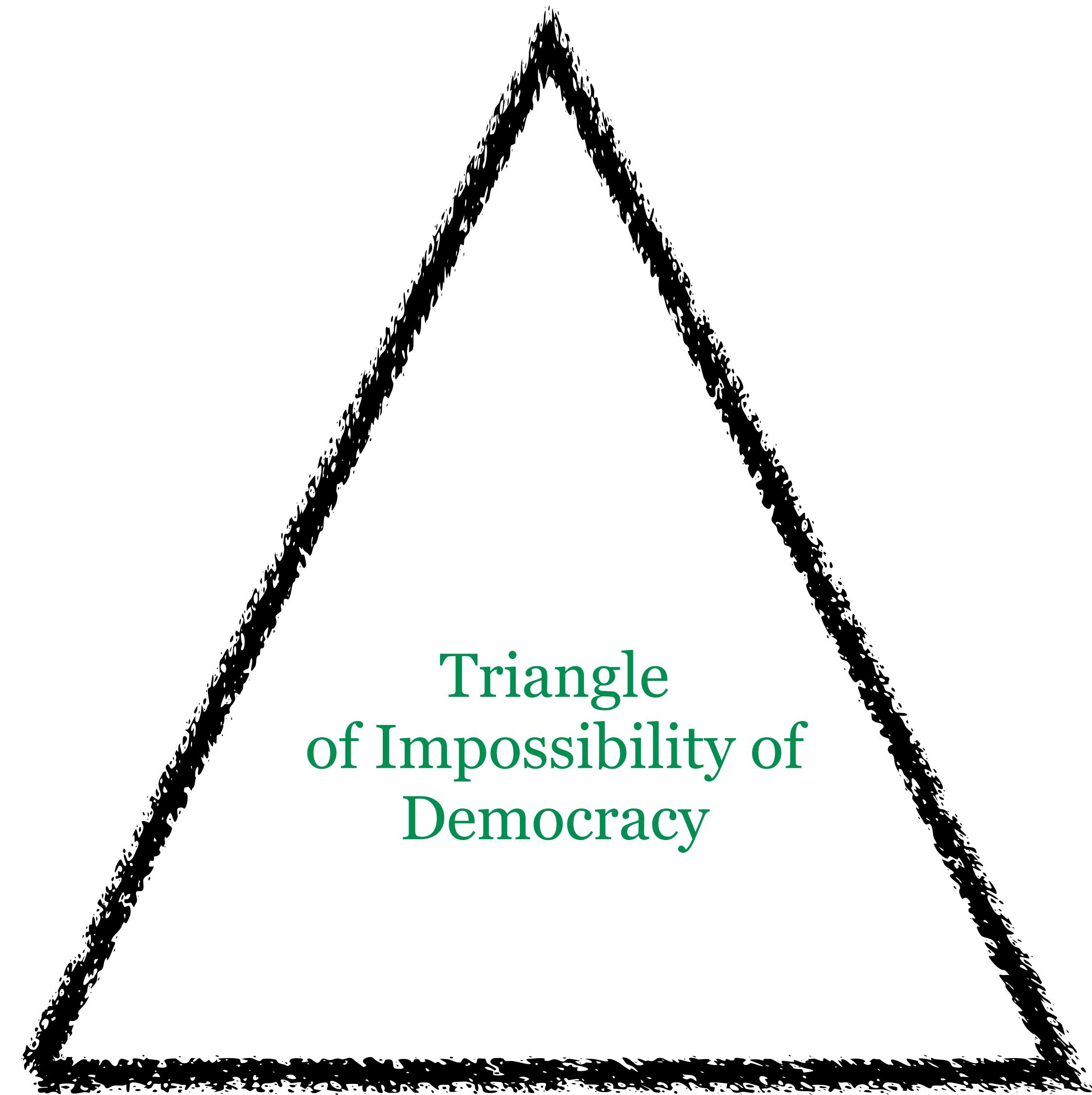


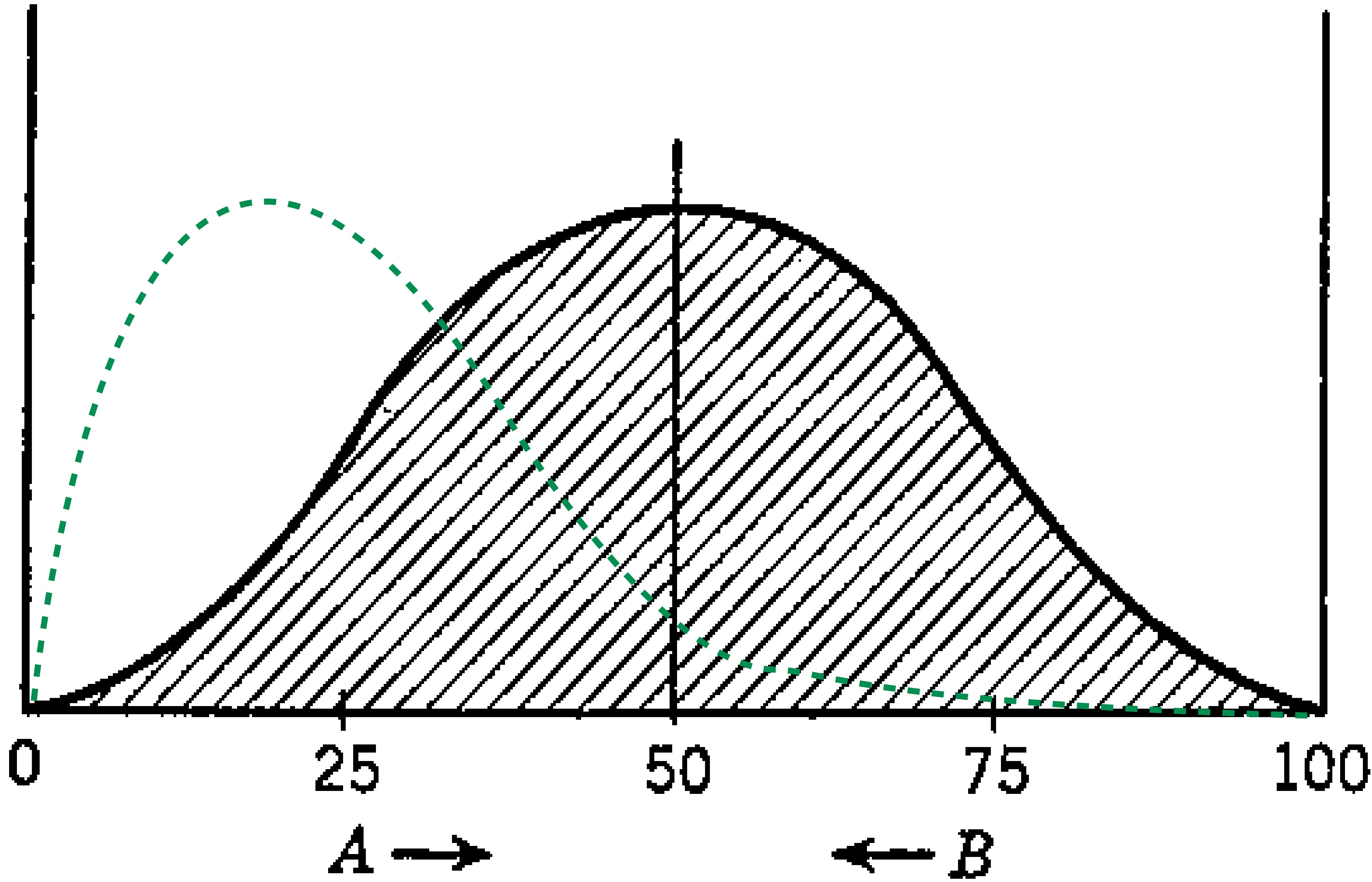
# Democracy

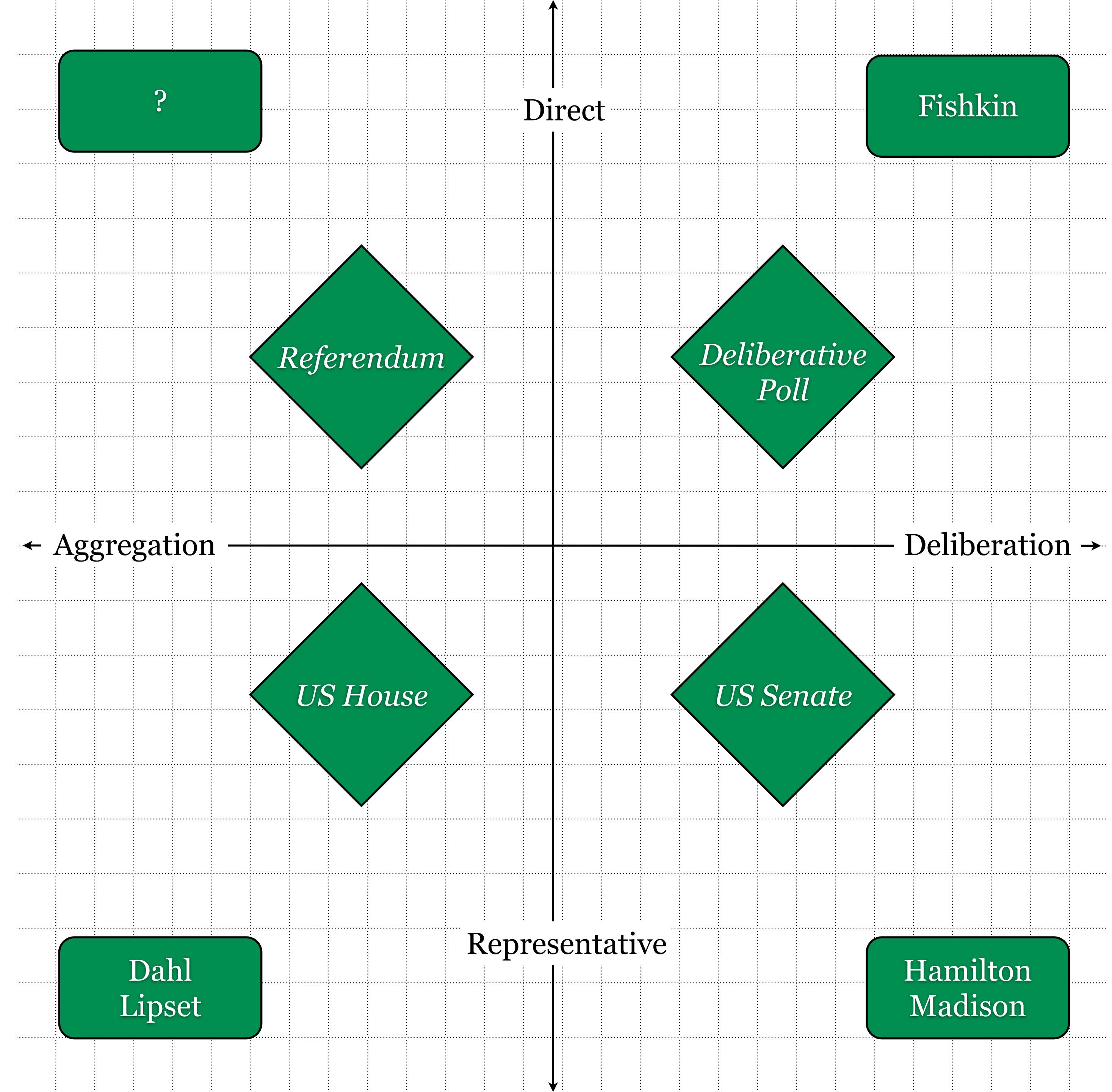
Participation



Deliberation

Political  
Equality





Bargaining

Voting

Arguing

Bargaining

Ultimatum Game

Collective Wage  
Bargaining

?

Voting

x

Rousseau  
Secret Vote

University tenure  
decision (if good  
department without  
logrolling)

Arguing

x

x

Juries

# Research Design

# (Mis)understanding Tax

--

The Pluralist and Deliberative  
Politics of Tax

# Research Questions

&

# Hypotheses

- What are the payoffs of high, perfect taxation?
- What are the international redistributive consequences?
- If high, perfect taxation is a social welfare optimum, why don't we have it?
- High, perfect taxation is a social optimum.
- Universal high taxation redistributes from developing to developed world. (sidepayments?)
- In a multilevel game, the dual crisis is a Nash equilibrium. (critical mass?)

Mismatch between relevance and understanding.

It's a  
good case!

High complexity, non-local -- can deliberative democracy do that?

*Why tax?*

“*last best hope* for progressivity”  
(McCaffery 2002: 197)  
& the Welfare State

*It's more  
than a case!*

Systematic biases in tax  
(McCaffery & Baron 2005)

It controls for other  
reasons.

(Path dependency, veto playing,  
cooperation problems ...)

It's a  
good method!

It makes the PCT  
falsifiable.

(maybe, people don't like it)

There is a deep link  
between deliberative and  
PCT normative theory  
(Rawls 1970)

*Why deliberation?*

*It's more  
than a  
method!*

Politicizes the  
status quo

May alleviate the  
public choice  
problems

(Miller 2002)

## Cooperation problems

(in complex systems, e.g. Hardin 1968,  
Scharpf 1997)

## Veto-playing violates equality

(in consociational designs, Tsebelis 2002)

## Rational ignorance

(e.g. Surowiecki 2008, Taleb 2008)

# *What's (wrong with) pluralist democracy?*

(group interest representation, aggregative democracy, competition of ideas, e.g. Dahl 1989)

## Non-attitudes

(Converse 1970)

## Heuristics & biases

(Tversky & Kahnemann 1982)

## Cognitive limits

(Rosenberg 2003)

## Amalgamated preferences

(Condorcet 1785, Arrow 1950)

... because it may not be ‘better’

- requires general equilibrium **modeling**
- depends on **axioms**

... how would it be configured, implemented?

- requires general equilibrium **modeling**
- grunt work

## *Why don’t we have it?*

(it= a different, better tax, such as post-paid, cashflow-based progressive consumption tax)

... because there is an international cooperation problem

- requires general equilibrium **modeling, utility functions, game theory**

... because domestic political dysfunctions prevent it

- maybe: path dependency, veto playing, principal-agent ...

... because **people don’t want it!**

- vignette research, survey research, experimentation

Vetted expert panel.

Plenary and small group interaction.

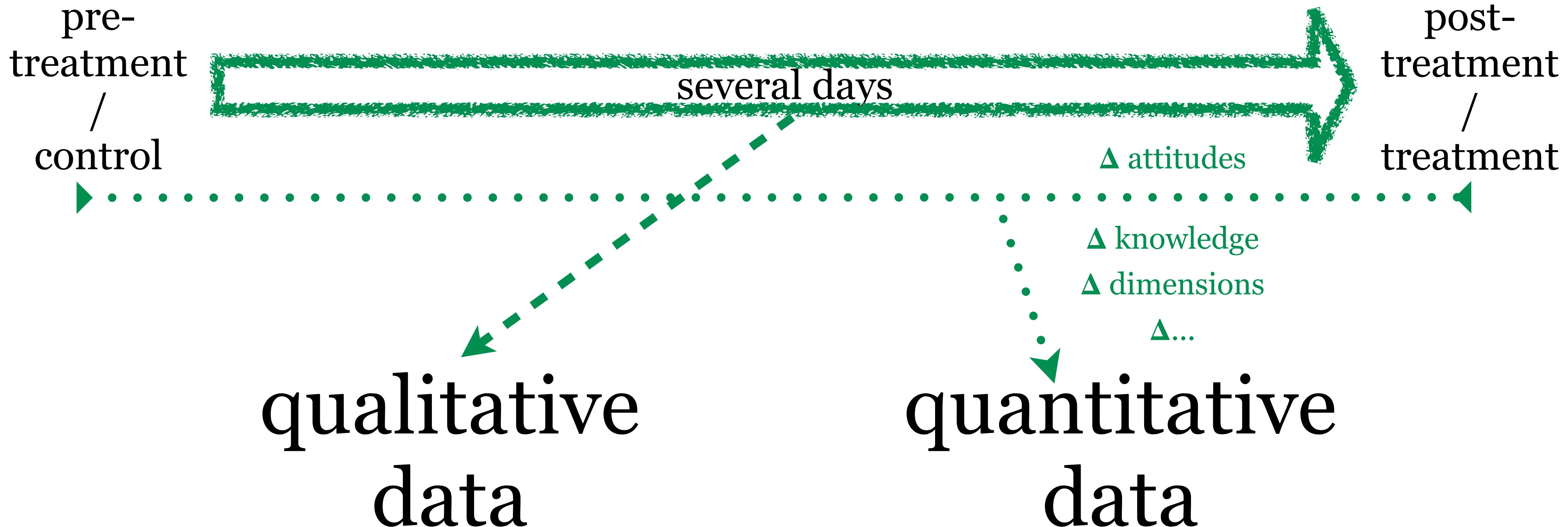
Balanced and unbiased study guide.

Trained moderators.

Random sample of citizens.

# *Deliberative Poll®*

(Fishkin 2002, University of Stanford: Center for the Study of Deliberative Democracy)



- Bastard Keynesianism:
  - People think ~~saving destroys the economy~~.
- Negative-Sum Bias:
  - People think ~~government harms the economy~~ (it does).
- Corporations-as-People:
  - People want to ~~tax non-natural persons~~.
- Flypaper-Theory:
  - People think the ~~nominal incidence is the same as the burden of taxation~~.

- **Tax aversion effect:**  
People react negatively to the label “tax”.  
People prefer indirect taxes.
- **Metric effect:**  
People want more progressivity in % than in absolute terms.
- **Schelling effect:**  
People prefer bonuses over penalties.
- **Disaggregation bias:**  
People do not integrate different taxes on the same base.

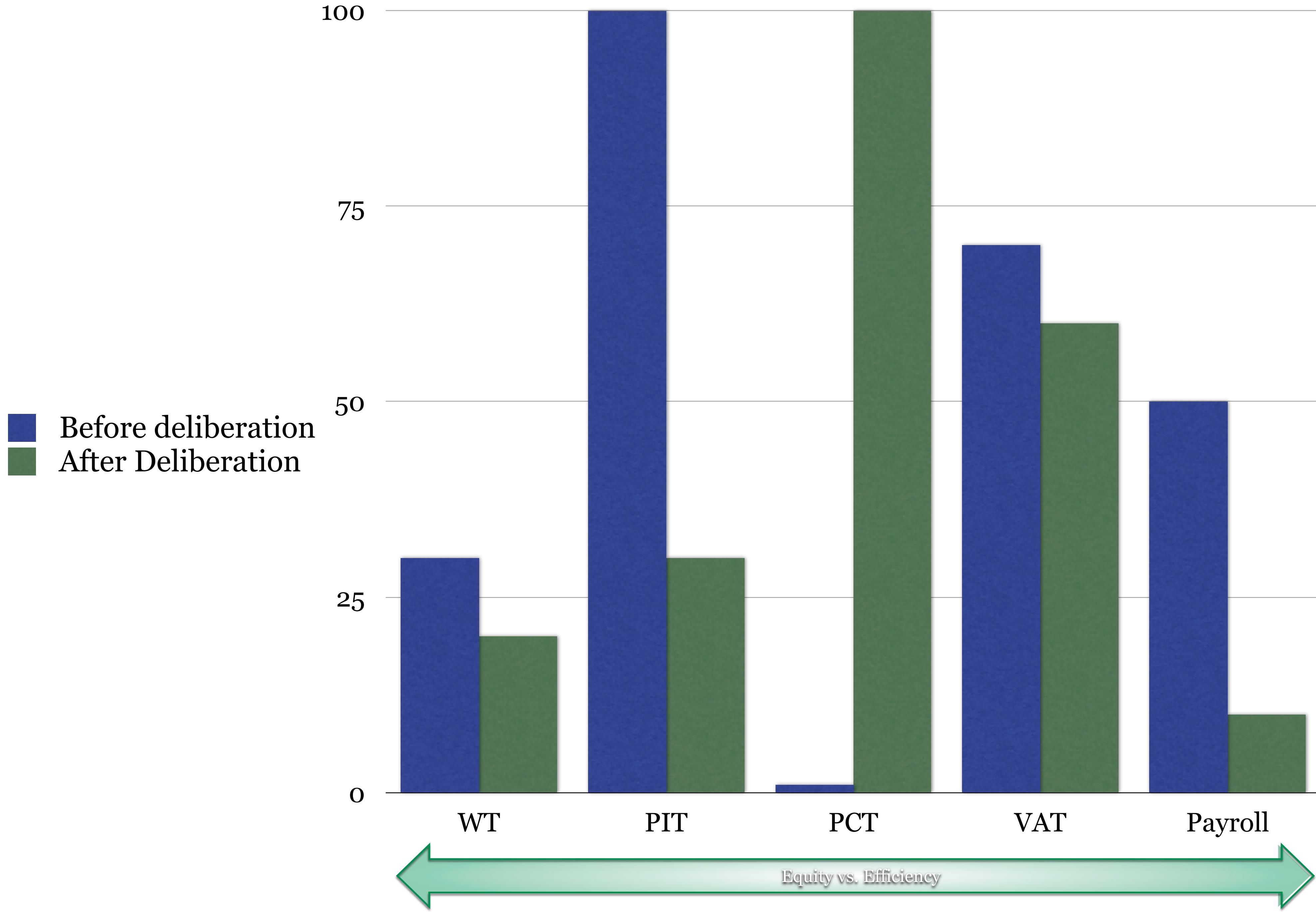
(McCaffery & Baron 2003: 12ff)

## Hypothesis 1b)i: greater *individual* vNM-consistency

<i>Axiom</i>	<i>Example in Tax</i>
<b>Completeness:</b> For any A and B, we either $A > B$ , $A < B$ or $A = B$ .	<ul style="list-style-type: none"><li>• complete preferences (PCT, LVT, ...)</li><li>• preferences independent of wording (SIC = Payroll) [<b>flypaper theory</b>]</li><li>• preferences only on relevant choices [<b>ordoliberal mess</b>]</li></ul>
<b>Transitivity:</b> If $A > B > C$ , then $A > C$	<ul style="list-style-type: none"><li>• If someone VAT <math>&gt;</math> Payroll, Payroll <math>&gt;</math> PIT, then VAT <math>&gt;</math> PIT (!)</li></ul>
<b>Continuity:</b> There is a $p(A,C) = B$	<ul style="list-style-type: none"><li>• There is a <math>p(\text{PIT}, \text{Payroll}) = \text{VAT}</math> [<b>false omnipotence</b>]</li><li>• There is a <math>p(\text{WT}, \text{WT}') = \text{WT}</math> [<b>false omniscience</b>]</li></ul>
<b>Independence:</b> If $A > B$ , and there is a new (irrelevant) choice C, still $A > B$ .	<ul style="list-style-type: none"><li>• If PIT <math>&gt;</math> Payroll, given FTT, still PIT <math>&gt;</math> Payroll [<b>flypaper theory</b>]</li></ul>

# Aggregate Deviations from vNM-Consistency

<i>Axiom</i>	<i>Malaggregation</i>
<b>Completeness:</b> For any A and B, we either $A > B$ , $A < B$ or $A = B$ .	<ul style="list-style-type: none"><li>! Arrow's Impossibility theorem: violate 1 out of <b>complete</b>, <b>transitive</b>, <b>independent</b>, non-dictatorship, pareto-optimal (monotonicity + non-imposition).</li></ul>
<b>Transitivity:</b> If $A > B > C$ , then $A > C$	<ul style="list-style-type: none"><li>! Condorcet's Paradox violates transitivity: between <math>&gt;2</math> alternatives, choice can <b>cycle</b>, when the aggregate preference distribution is flat.</li></ul>
<b>Continuity:</b> There is a $p(A,C) = B$	?
<b>Independence:</b> If $A > B$ , and there is a new (irrelevant) choice C, still $A > B$ .	<ul style="list-style-type: none"><li>! Arrow (above)</li></ul>



“[...] *that things could also be different* [...]”

-- Blühdorn (2007: 313)

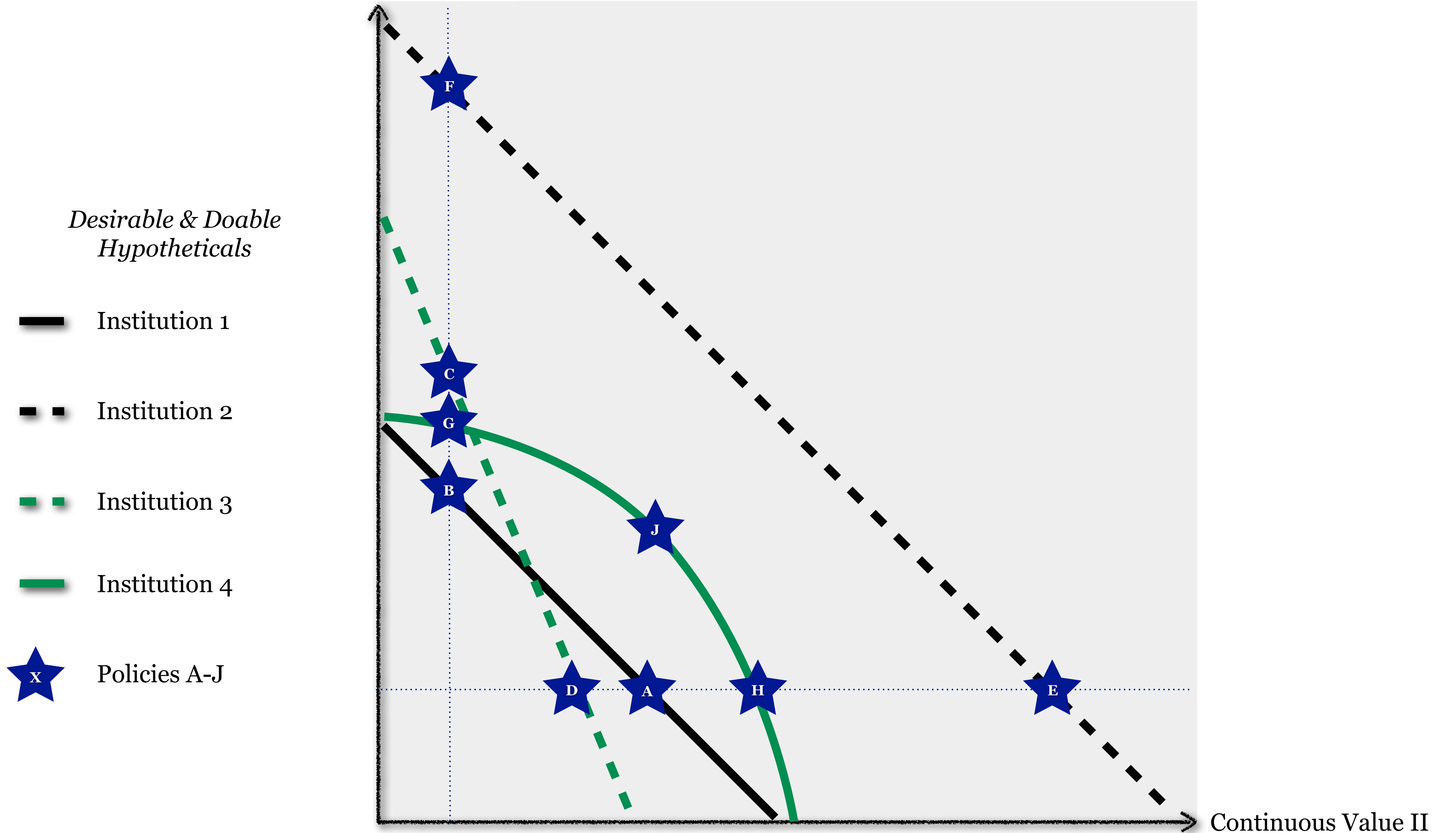
*“The spirit of a people, its cultural level, its social structure, the deeds of its policy may prepare -- all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns **the thunder of world history** more clearly than anywhere else.”*

-- Joseph Schumpeter (1918 / 1991)

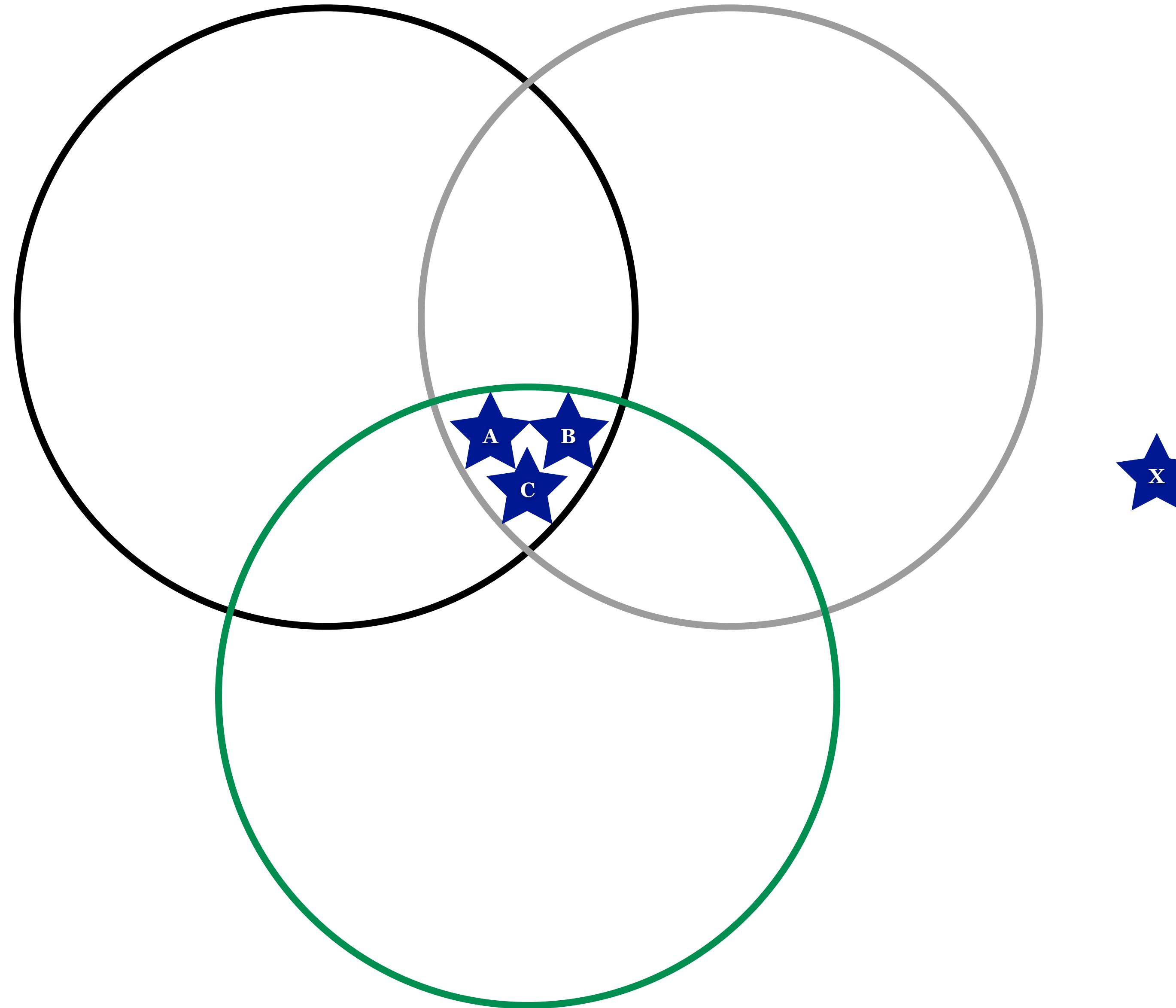
# Big Picture

	First-Order Questions	Second-Order Questions
Normative Questions	<p><i>What <u>should</u> (not) be?</i></p> <p>Subject: Last Reasons Disciplines: Philosophy, Morality, (...)</p>	<p><i>Who/what <u>should</u> (not) decide first-order answers?</i></p> <p>Subject: Ideology Disciplines: Postcolonialism, Critical Theory, (...)</p>
Positive Questions	<p><i>What <u>could</u> (not) be?</i></p> <p>Subject: Formal Models Disciplines: Equilibrium Economics, Evolutionary Theory (...)</p>	<p><i>Who/what <u>could</u> (not) decide first-order answers?</i></p> <p>Subject: (Formal) Models Disciplines: Public Choice, Structuralism, Historical Materialism (...)</p>
Empirics	<p><i>What <u>is</u> (not)?</i></p> <p>Subject: Observations of the Physical World Disciplines: Behavioral Economics (...)</p>	<p><i>Who/what <u>does</u> (not) decide first-order answers?</i></p> <p>Subject: Observations of the Social World Disciplines: Empirical Political Science, (...)</p>

# Continuous Value I



- Categorical Value I
- Categorical Value II
- Categorical Value III



★ Desirable Policies/  
Institutions A-C

	<i>View of Human Nature</i>	<i>Mode of Production</i>	<i>Mode of Distribution</i>
<i>State</i>	Individual Utility Maximizer	Command & Plan	Command & Plan
<i>Market</i>	Individual Utility Maximizer	Exchange / Price System	
<i>Kinship</i>	Inclusive Fitness	Genetic Nepotism	
<i>Community</i>	Group Selection	Identity	
<i>Civil Society</i>	?	?	?

... short digestive tract  
requires cooked protein ...

<i>Non-Cultural Species</i>	<i>Genes / “Nature”</i>	<i>Cultural Species</i>
Little capacity for learning	“Hardware”	Great capacity for learning

# Co-evolution

<i>Non-Cultural Species</i>	<i>“Memes” / Culture</i>	<i>Cultural Species</i>
-	“Software”	Institutions

... powerful brain *enables*  
fire-making ...

*Does support for a PCT  
and/or the sophistication  
of thinking about tax  
depend on the political  
process?  
(c.f. Rawls 1971:49, Offe 2009)*

---

*Status Quo*      Tax Regime      *Reform*  
  
(2-)PIT,  
VAT, Payroll      /  
Thinking  
about Tax      PCT

---

# *Taxation & Democracy*

---

*Status Quo*      *Reform*  
  
Pluralist  
Democracy      Deliberative  
Democracy

---

*Can Deliberative  
Democracy rule  
abstract, non-local  
issues?  
(de Sousa-Santos 1998; Hendrickson &  
Tucker 2005: 84)*

*Deliberation can only succeed if dominance hierarchies are curbed ex-ante.*

(e.g. Wilkinson & Pickett 2009)

<i>Status Quo</i>	<i>Reform</i>
Positional Race	Tax Regime / Inequality

# *Inequality & Democracy*

<i>Status Quo</i>	<i>Reform</i>
Exclusive Fitness	Political Process

*Deliberative democracy implies and allows freedom from need, ‘vita activa’.*

(Arendt 1958)

# My Dissertation

Relative  
Inequality  
(Wilkinson &  
Pickett)

Positional Race  
(Frank)

Progressive  
Consumption  
Tax  
(McCaffery)

Fiscal  
Sociology  
(Prasad)

Social  
Theory of  
Democracy  
(Bogaards)

Political  
Psychology  
(Rosenberg)

?

Deliberative  
Poll  
(Fishkin)

Tax Biases  
(McCaffery &  
Baron)

?

Social  
Theory of the  
Welfare State  
(Offe, G-S)

Mixed  
Economy  
(Ganssmann?)

Equity Norms

Efficiency Norms

Equality of  
Opportunity

Maximin  
Difference Principle

Egalitarianism  
(in Outcomes)

Weak Pareto  
Optimum

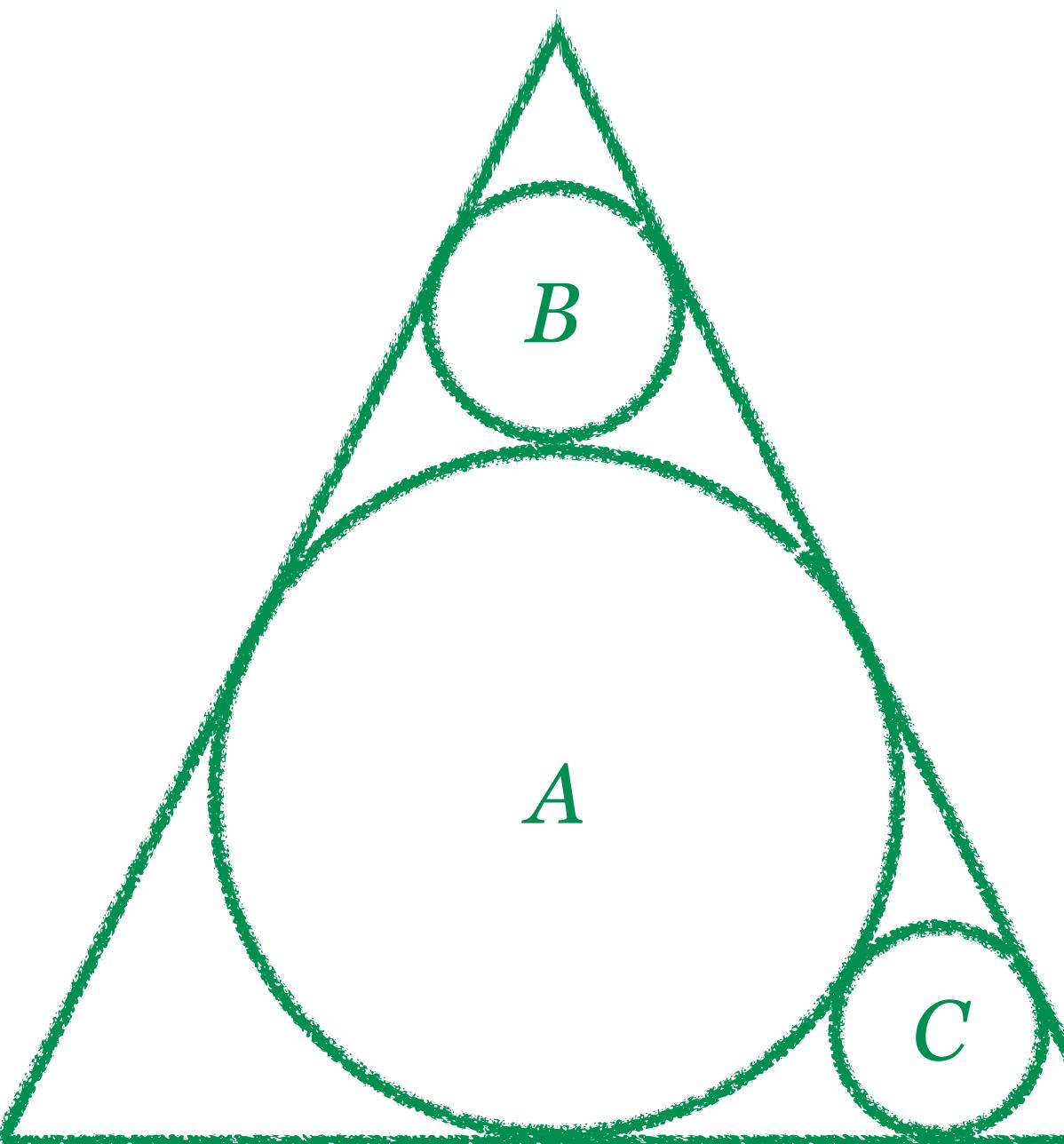
Strong Pareto  
Optimum

Social Welfare  
Optimum

Utilitarianism

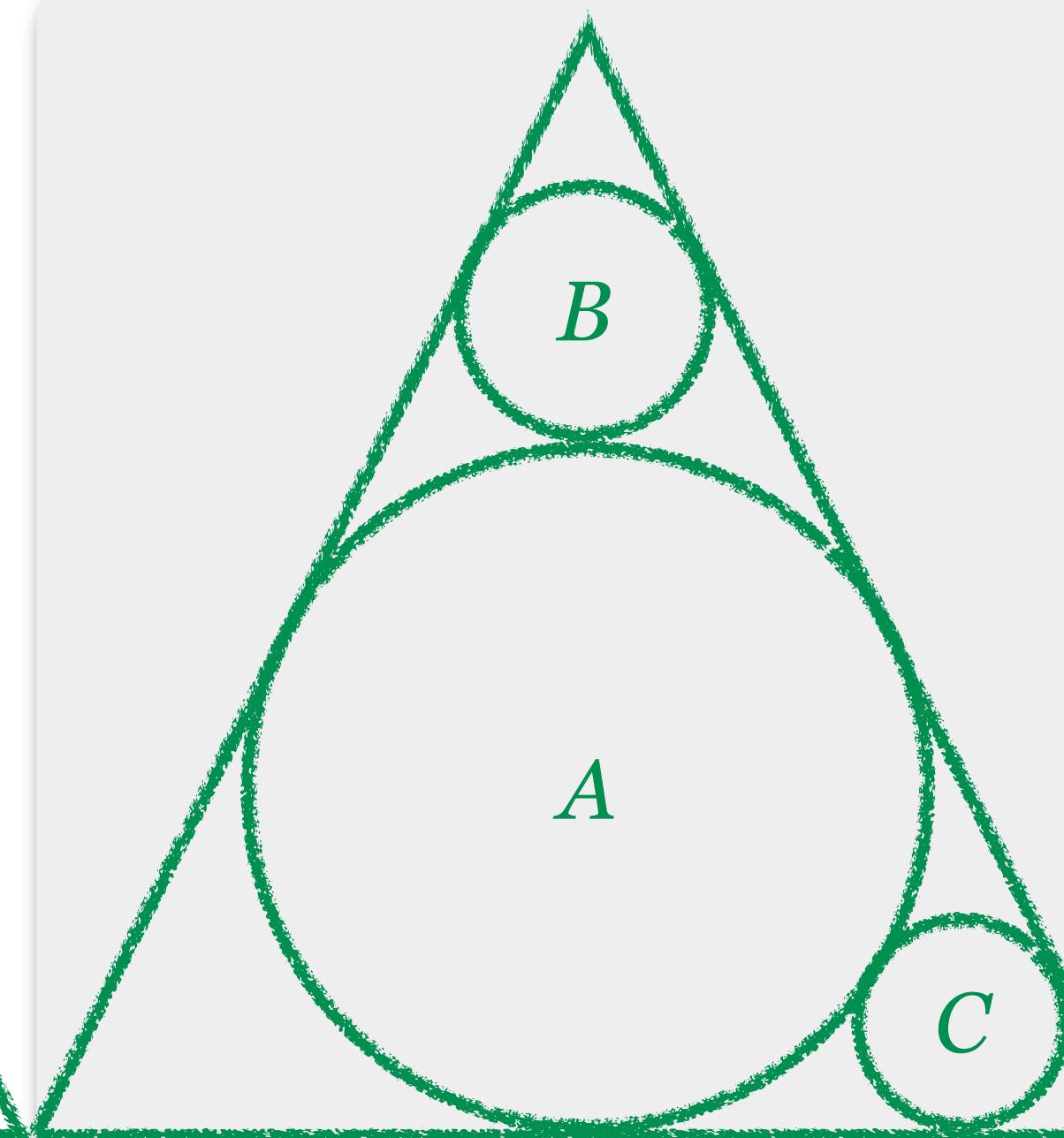
## Efficiency/Equity Norm

## Pure Efficiency Norms



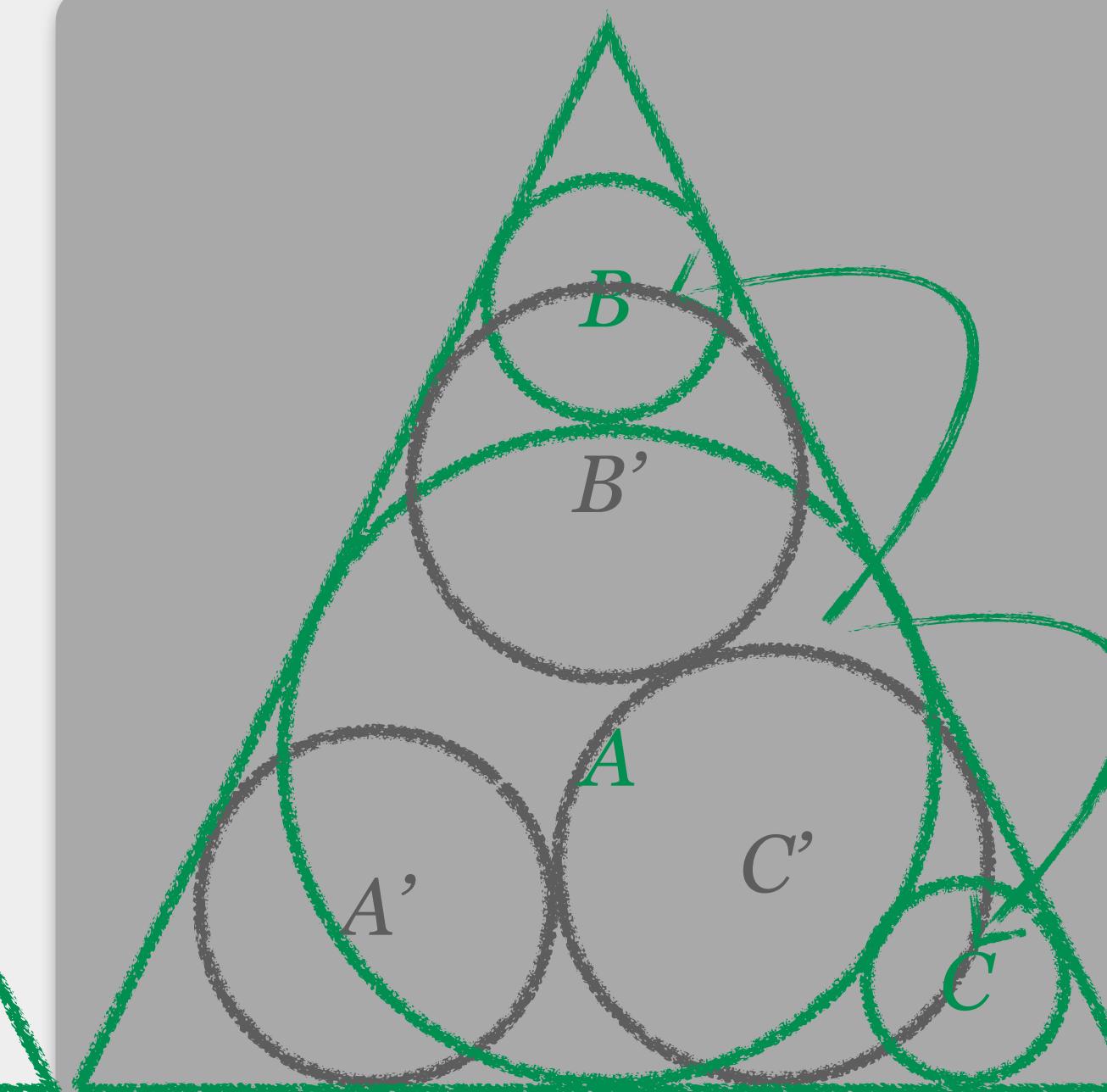
Not Pareto Optimal

*(B could grow to B' with no losses for anyone else)*



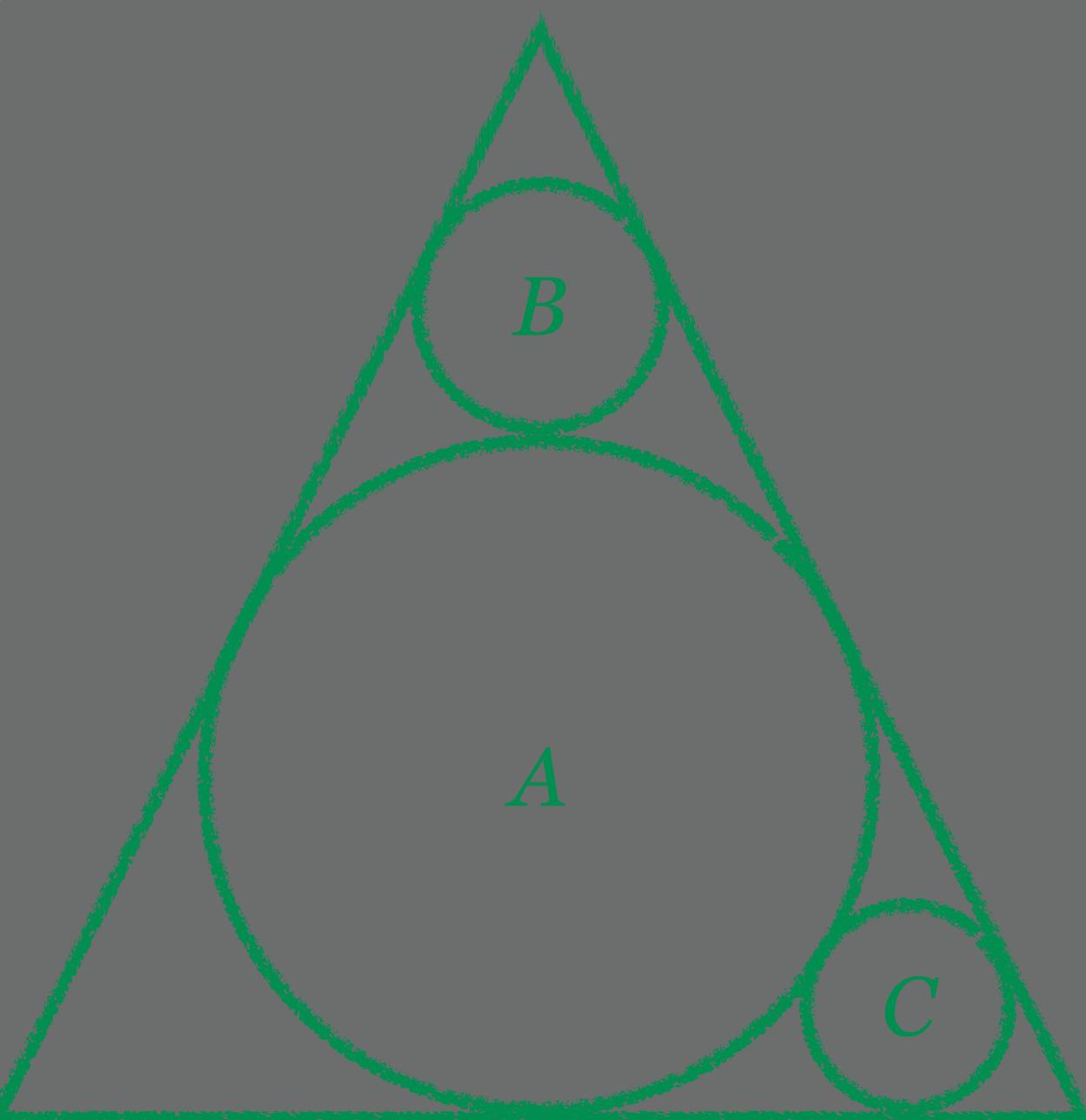
Pareto Optimal

*(No one can grow without someone else losing)*



Kaldor-Hicks Efficient

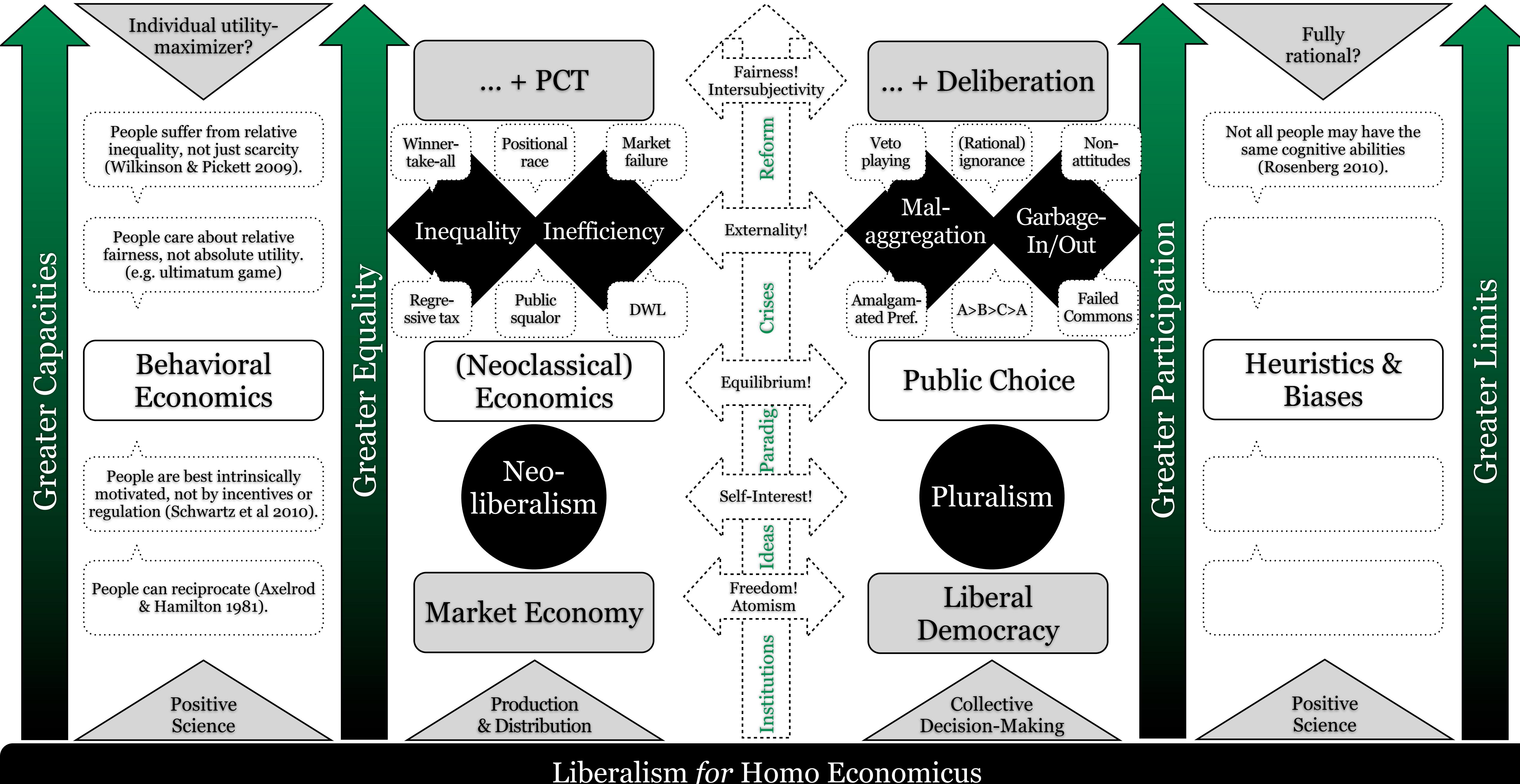
*(A' can grow to A and distribute part of the gains to smaller C and B.  
Arrows are sidepayments.)*



Utilitarianism /  
Social Welfare Optimum

*(Maximum area is covered.  
Out of geometric necessity,  
same as Kaldor-Hicks.)*

# Vita Activa for Homo Reciprocans



## Social Mobility

Within Country

Between Country

Social Mobility / Wealth, Inheritance Tax vs.  
Incentives

Growth / Infant Industry Protection

## Outcome Equity

Gini / Progressive Taxation & Incentives

GDP, Productivity per capita / Same labor and capital  
*rent by* that productivity

	Sweden	Germany	Bulgaria	EU-25
Gini	0.23 0.25 (1992)	0.27 0.30 (1994)	0.307 0.264 (2001)	
GDP per capita in PPP	\$38.300	\$35.100	\$12.100	
Real GDP growth	2.7%	2.6%	6,2%	

# Mixed Economy

**Plutokratie**

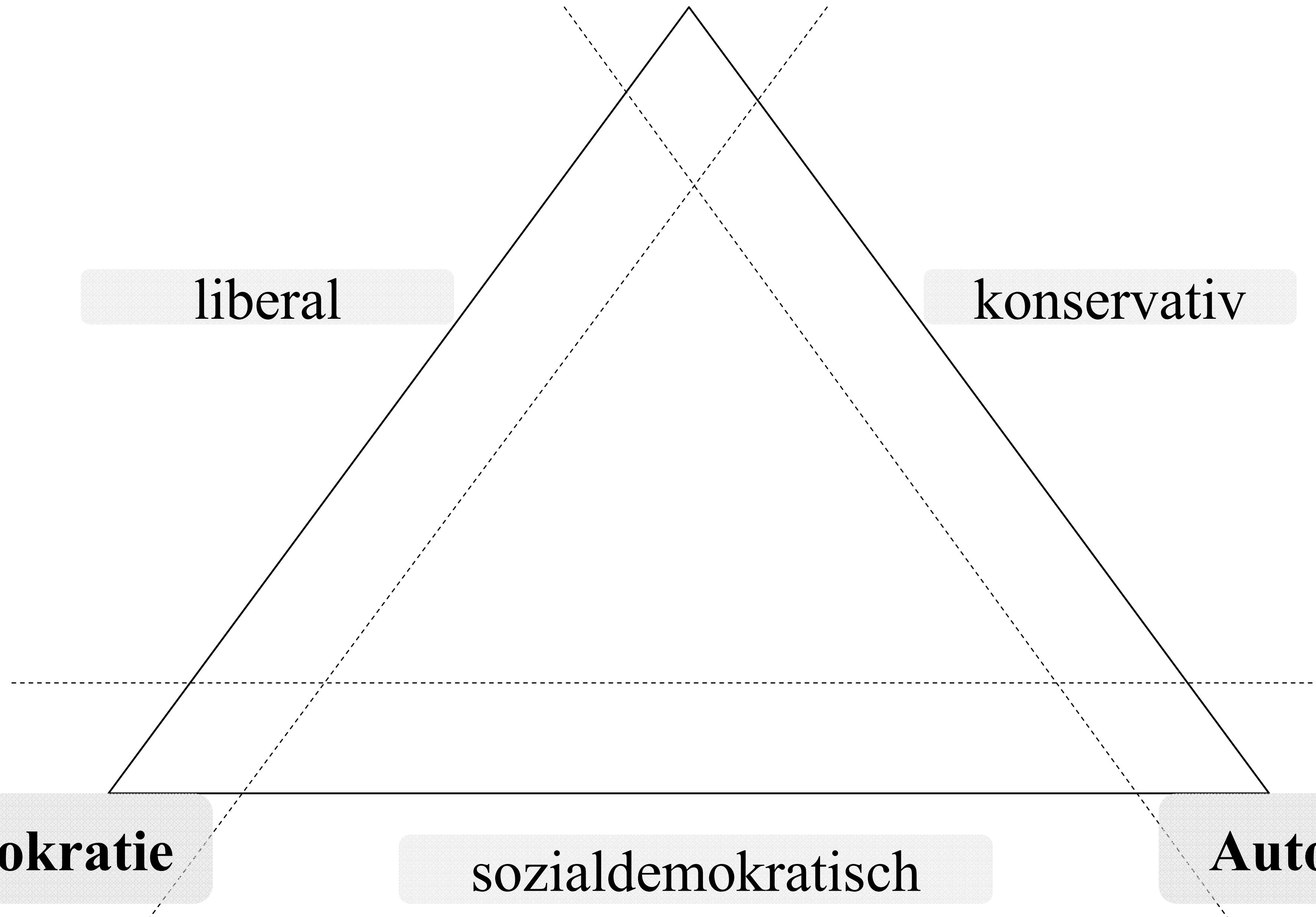
**liberal**

**konservativ**

**Demokratie**

**sozialdemokratisch**

**Autokratie**

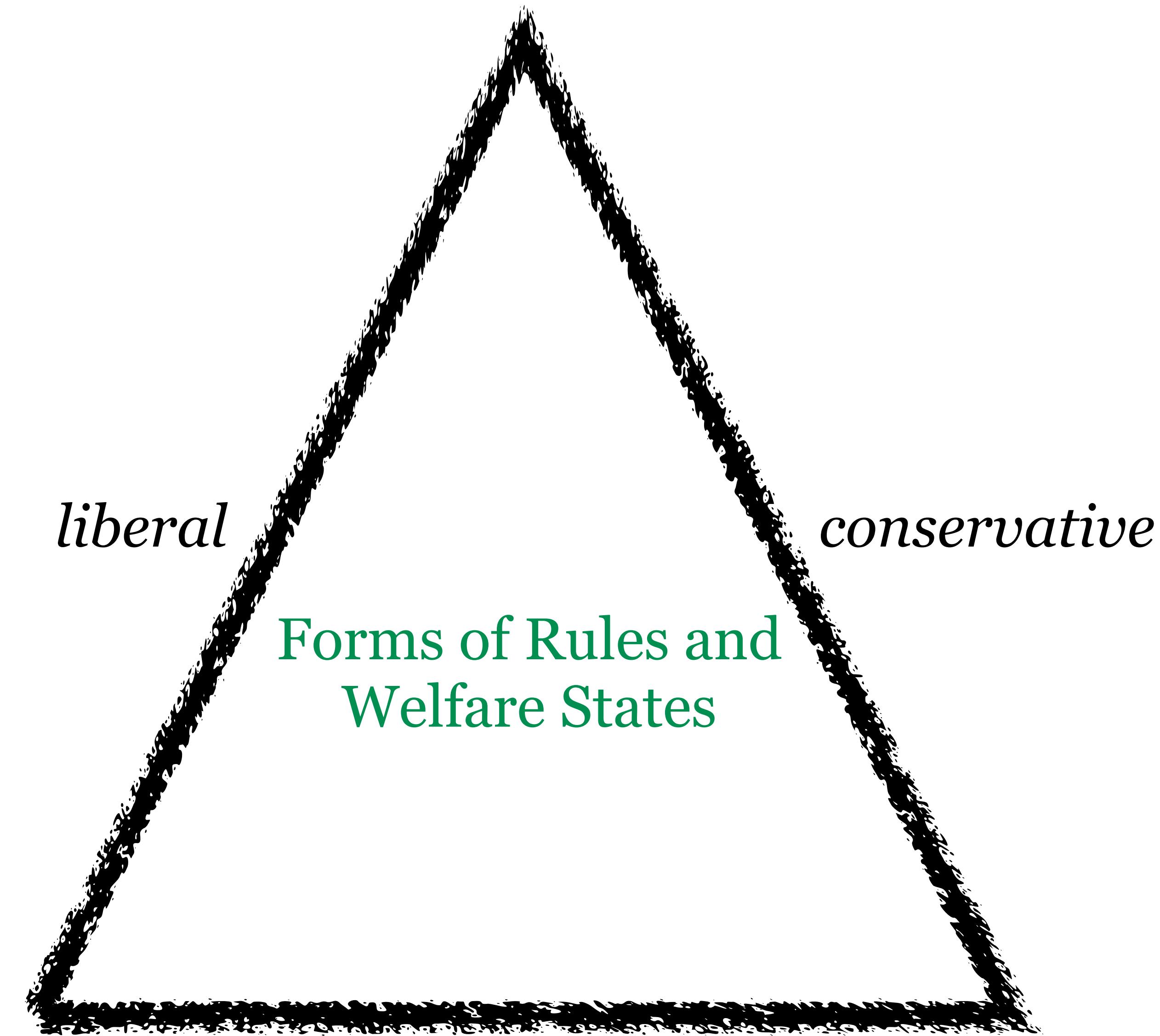


Plutocracy

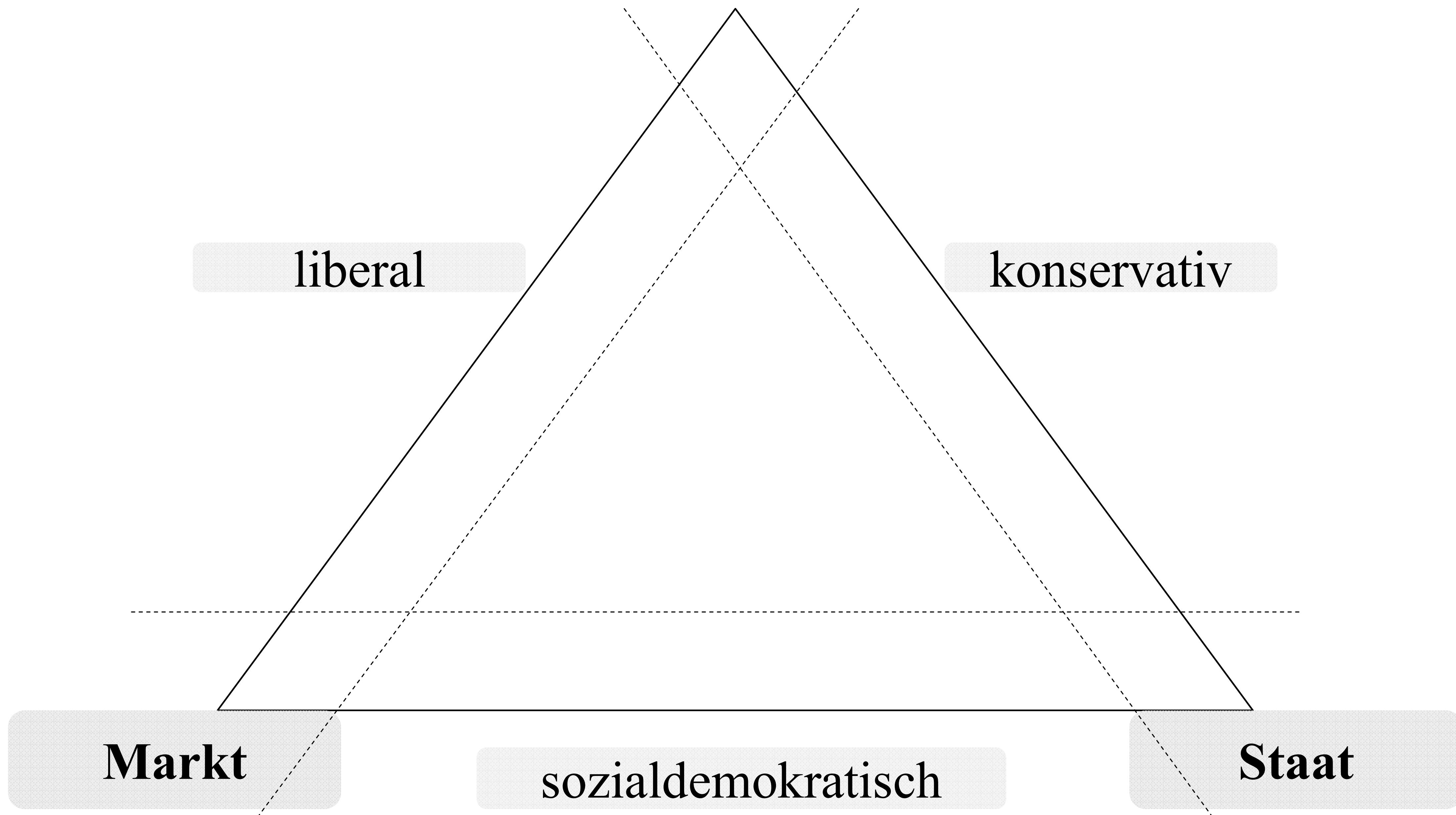
Democracy

*social-democratic*

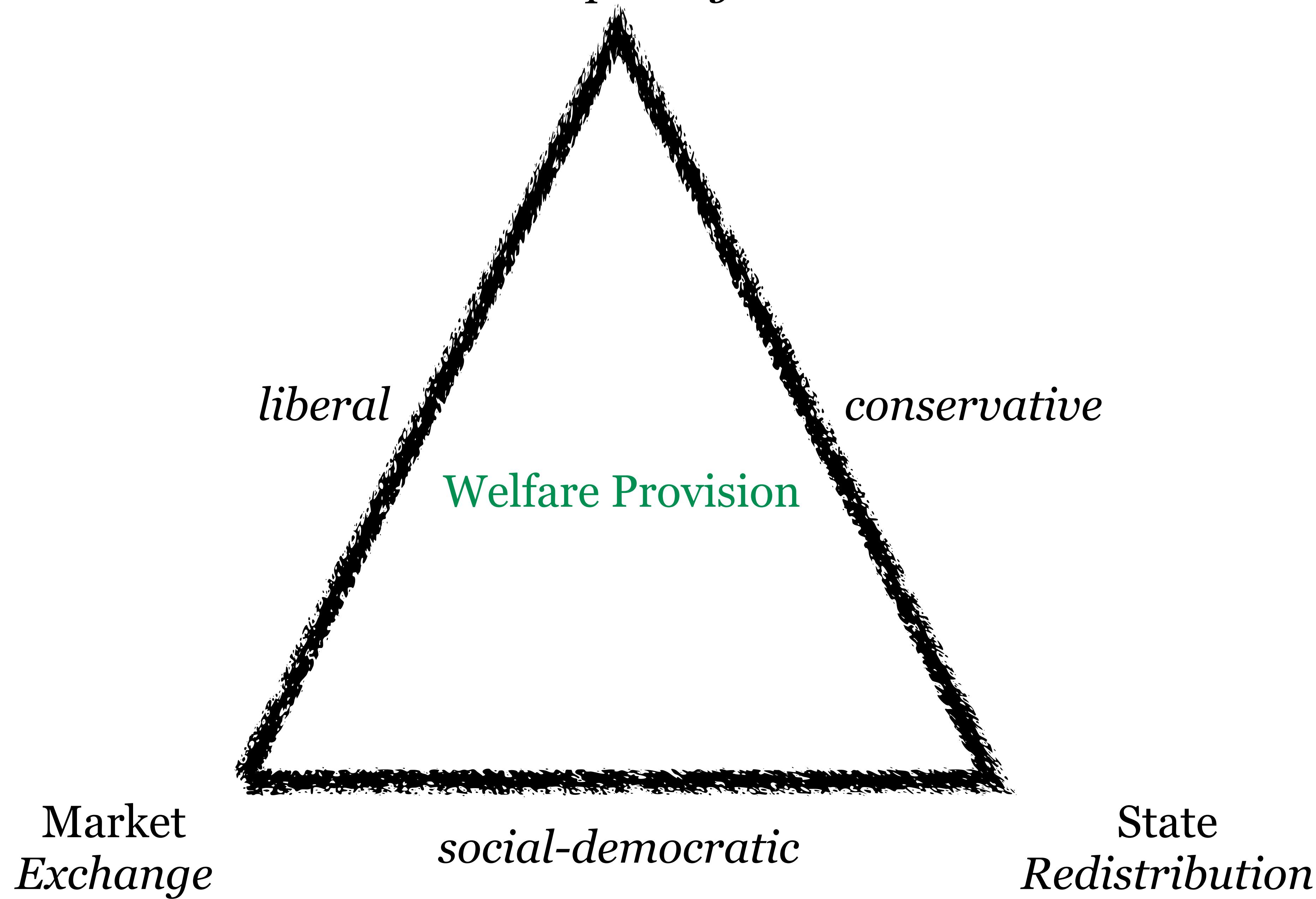
Autocracy



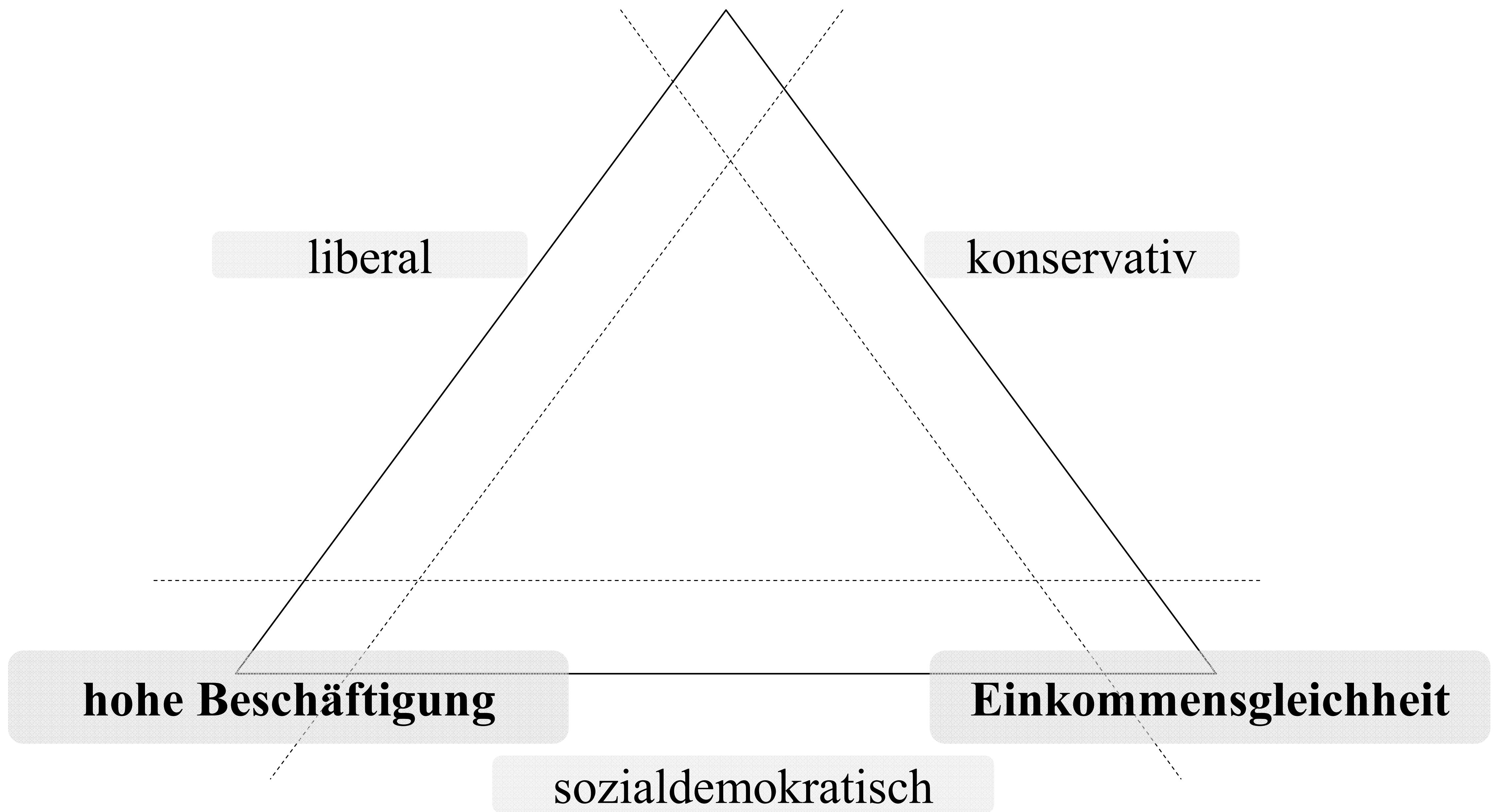
# Familie/Gemeinschaft



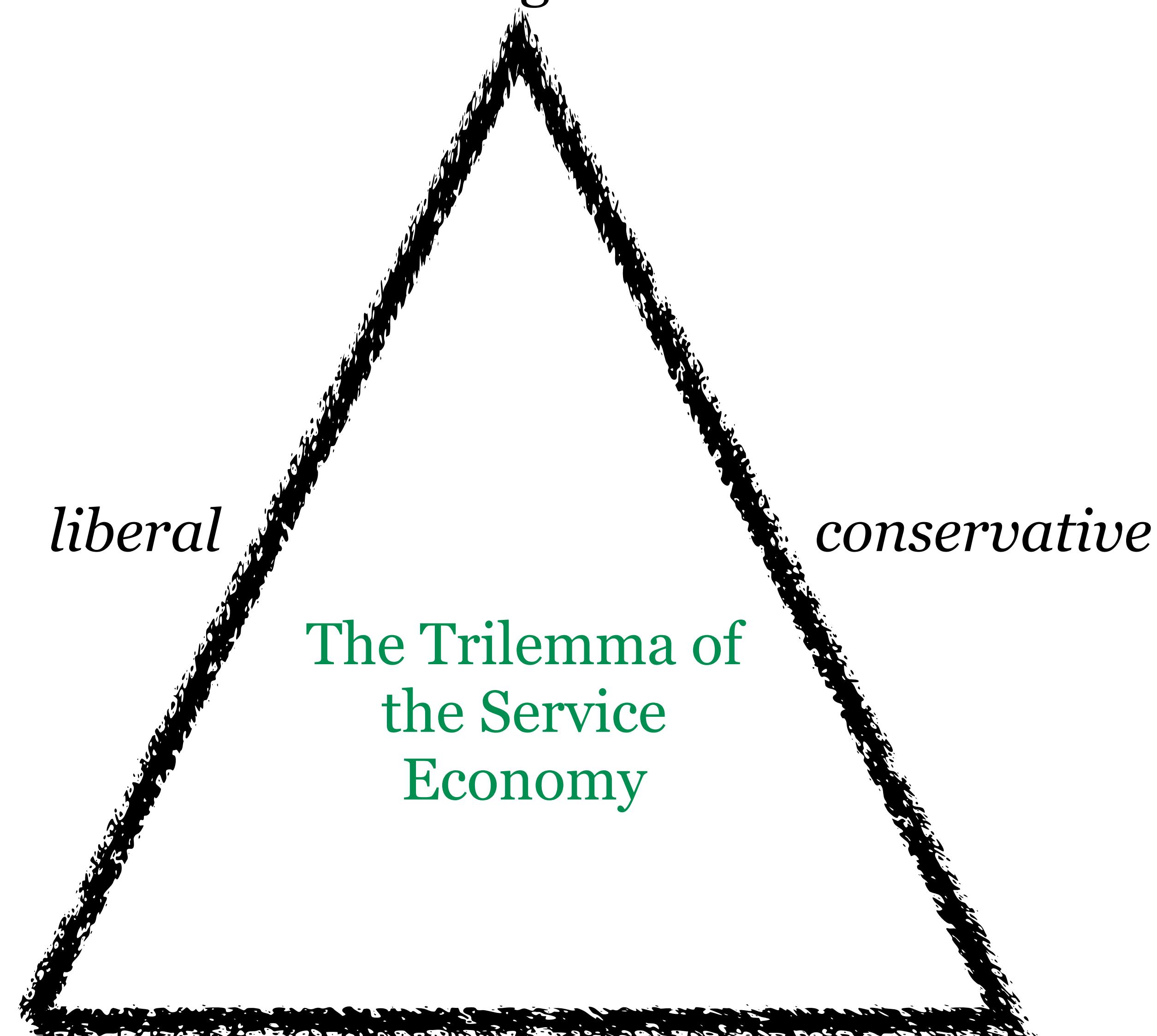
Family & Community  
*Reciprocity*



# Budgetausgleich



Balanced  
Budgets

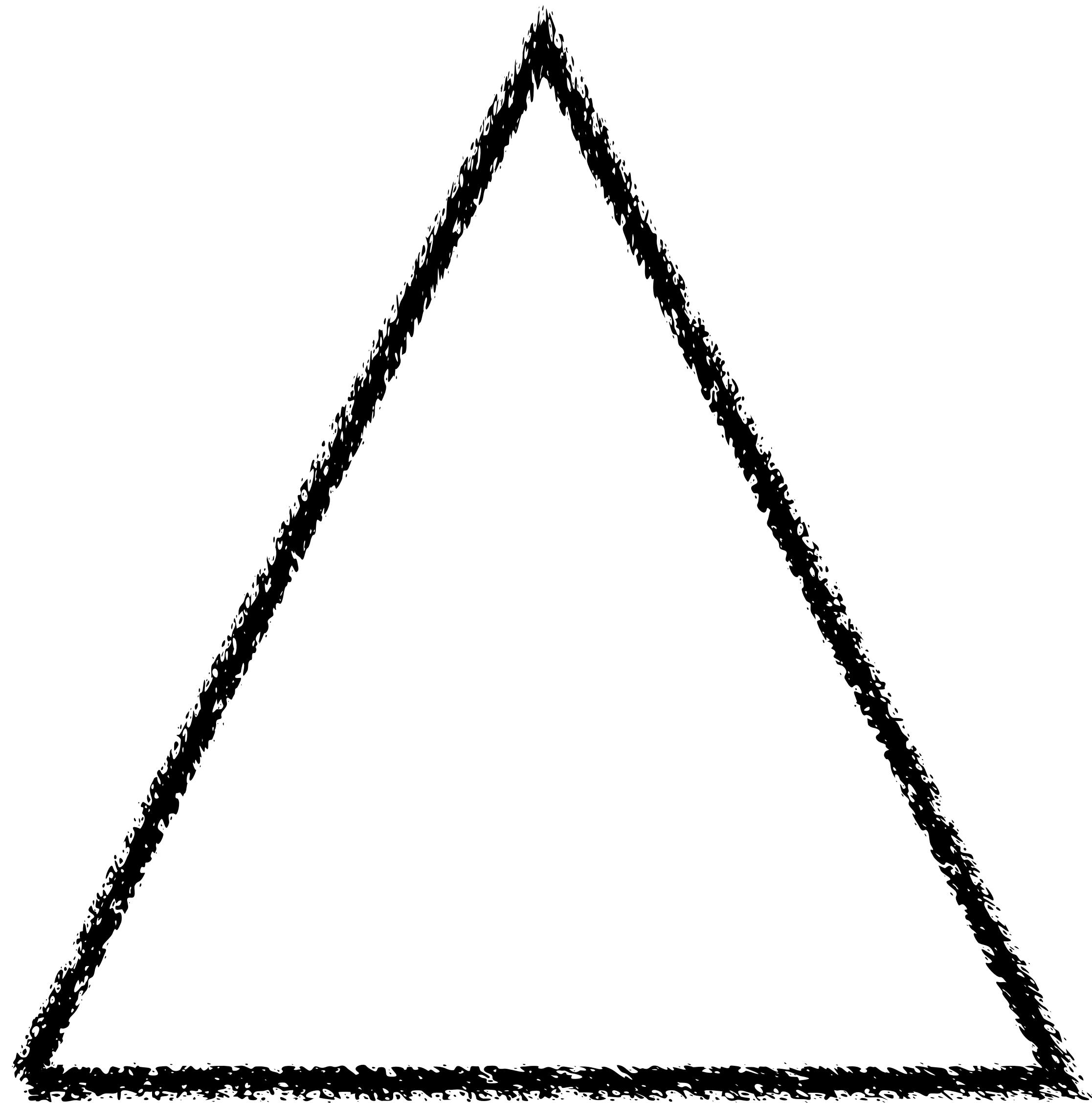


High  
Employment

*social-democratic*

Income  
Equality

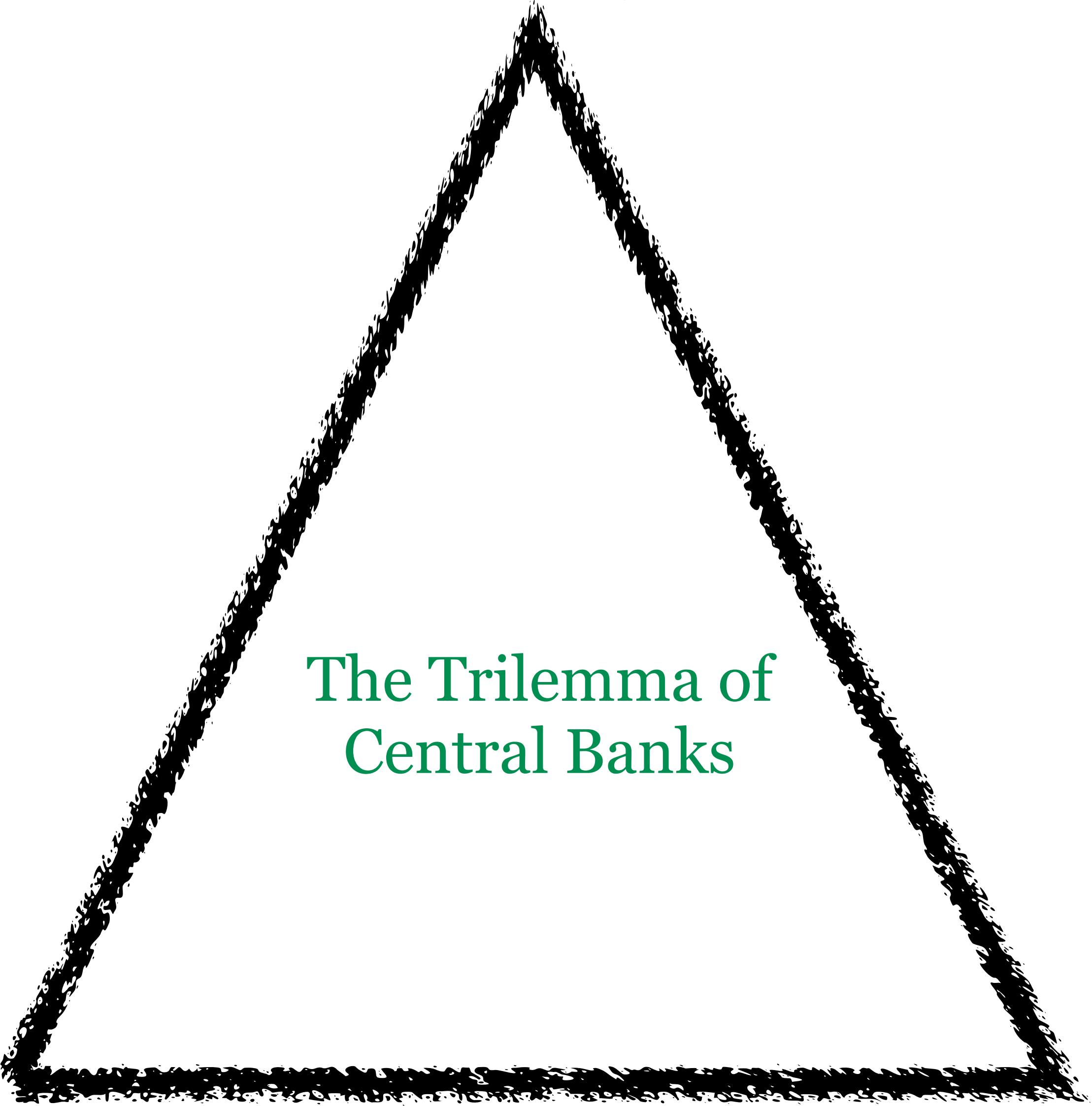
Growth



Debt or  
Inflation

Factor  
clearing

# Exchange Rate Stability

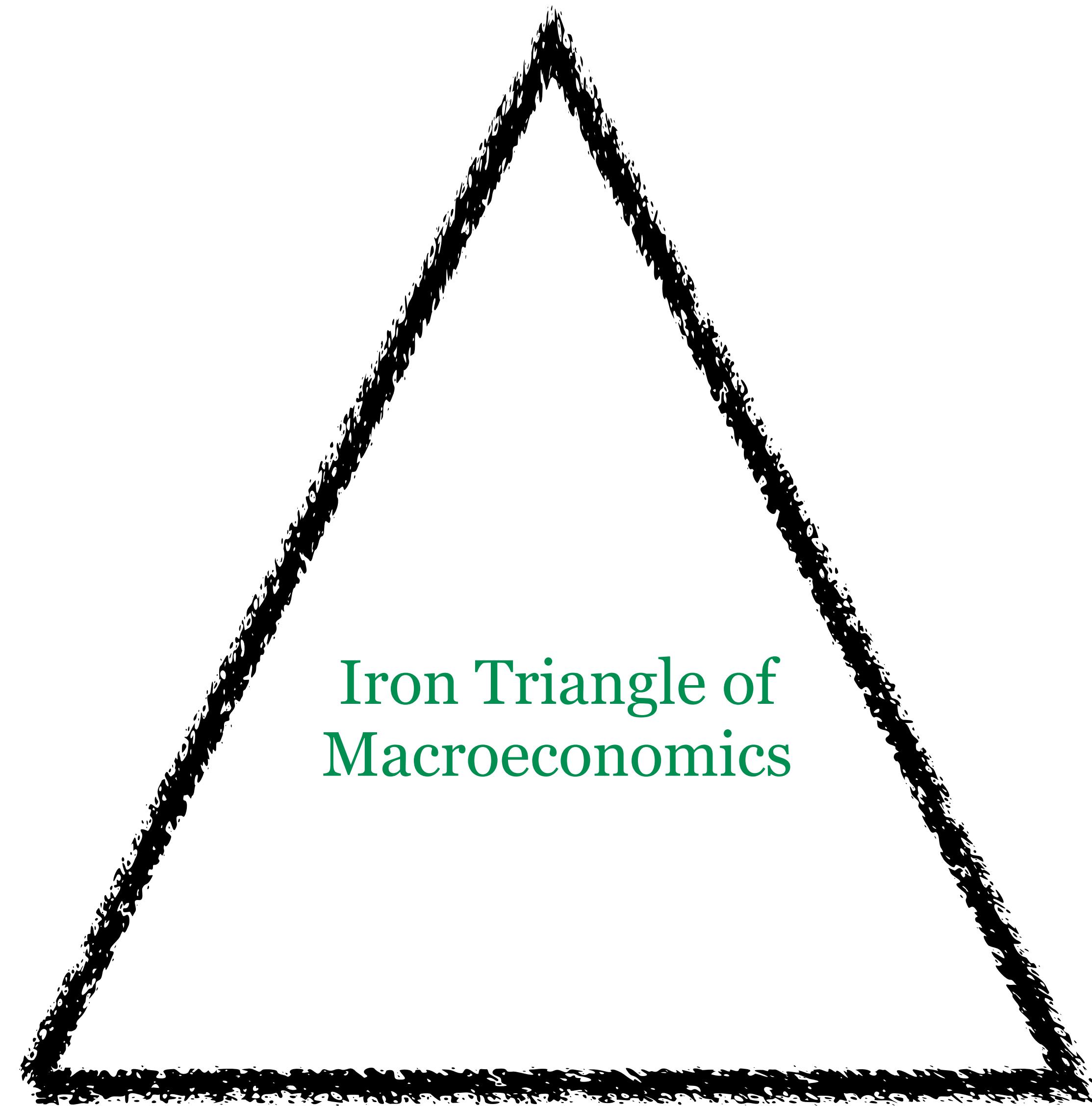


Price  
Stability

Growth

The Trilemma of  
Central Banks

Independent  
Central Bank



Iron Triangle of  
Macroeconomics

Flexible  
Exchange Rate

Capital  
Mobility

**deep integration**

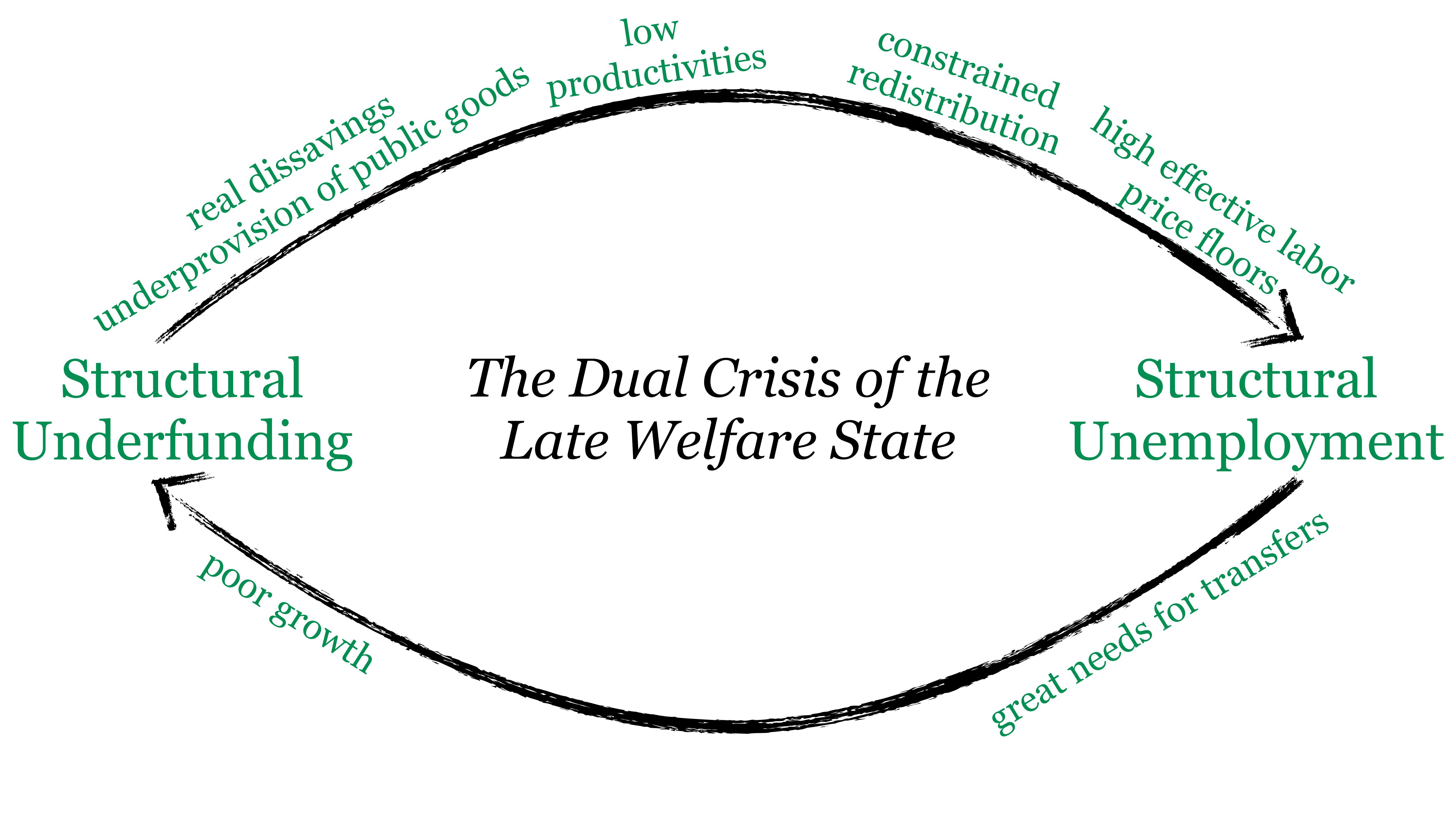
*golden straitjacket*

*global federalism*

**national sovereignty**

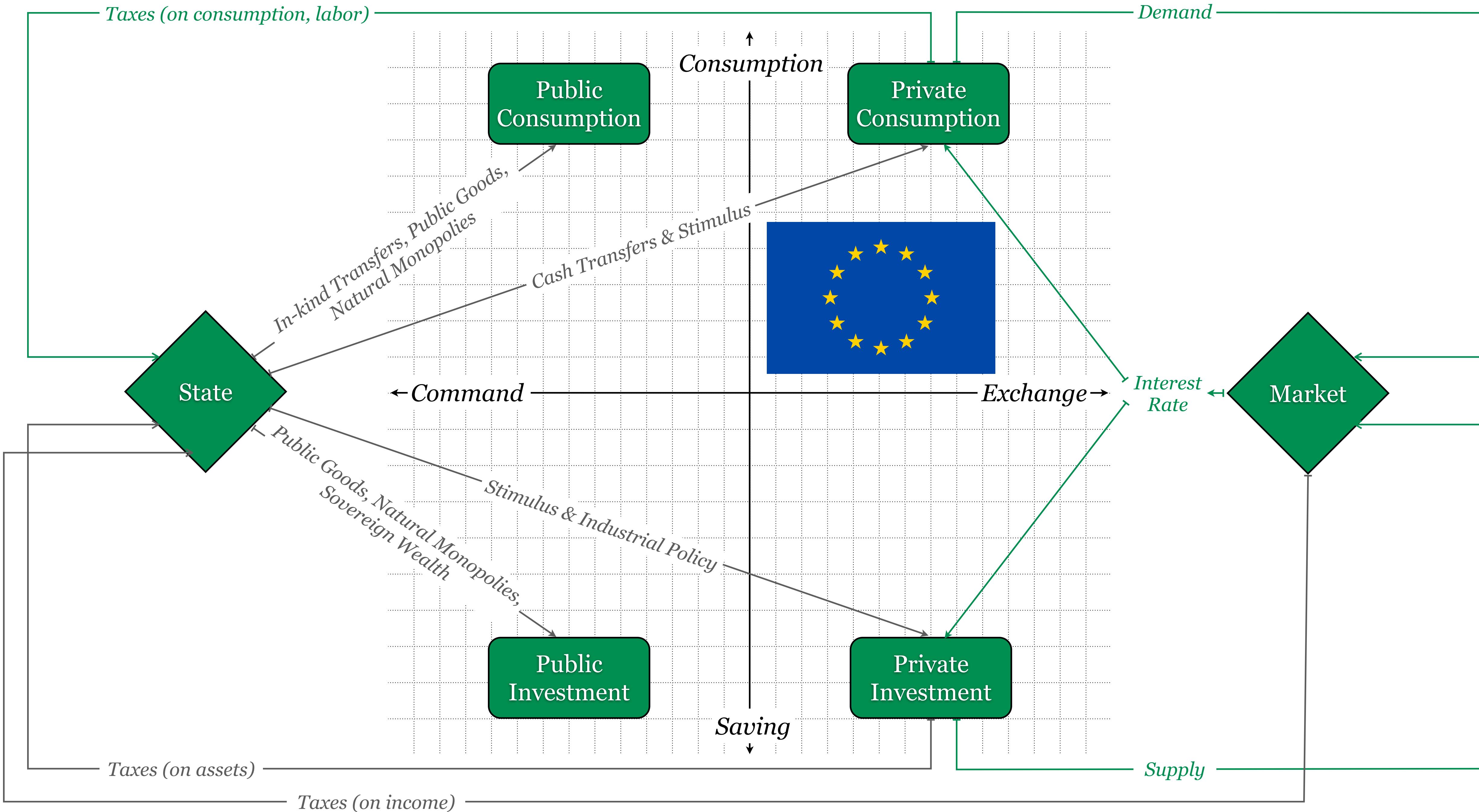
**democratic politics**

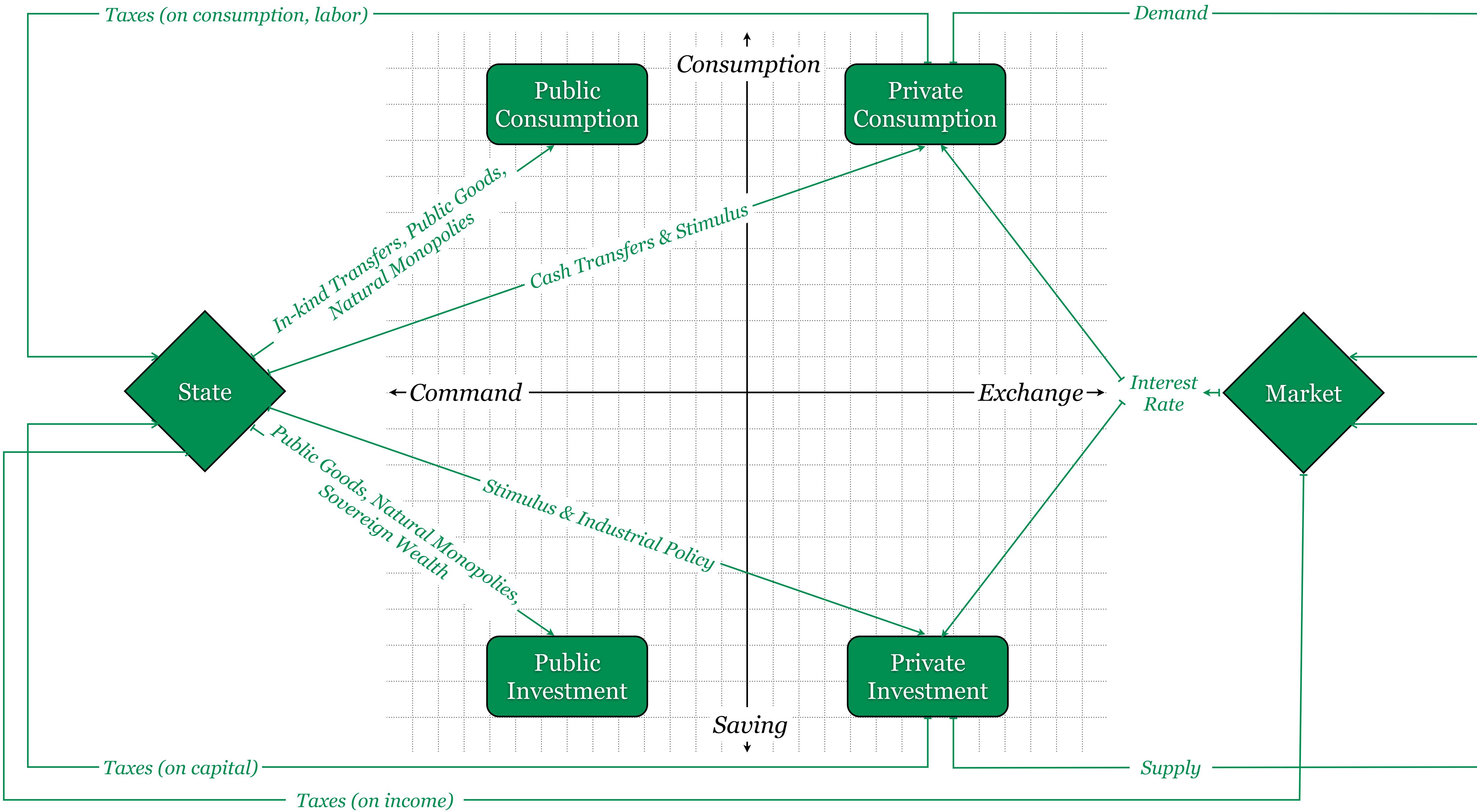
*Bretton Woods*



# Who Should Manage it?

	Public (State)	Private (Market, Family)	
When to Save?	Pre-funded Sovereign Wealth	Private pension Life insurance (etc.)	Current workers
What to Invest in?	Post-funded PAYGO	Family, Corporate Pension Plans	Future workers
Productivity	Human Capital Education	Quality Children	Productivism
What to Invest in?	Physical Capital Sovereign Wealth	Private Investment	Policy
Workforce	Family Policy	Having Children	Nativism
Where to Invest?	Sovereign Wealth Fund	International Financial Markets	Now: Trade Surplus
Where to Invest?	Capital Deepening	Domestic Financial Markets	Future: Trade Deficit
At Home (under autarky)			Now: Positive Savings Rate
At Home (under autarky)			Future: Negative Savings Rate





	Equity	Asymmetric Information	Public Goods	Common Goods	Natural Monopolies	Easy Market Entry
Challenge: Example	Urban Poor	Lemons' Market in Health Insurance (Akerlof 1970)	Defense	Clean Air	Sewage System	MS Windows bundled with IE
Market: Response	Comparative Advantage	a)Signalling b)Screening	a)Shadow of the Future: Infinitely Repeated Game b)Self-Binding, Credible Commitment	a)Shadow of the Future: Repeated Game b)Self-Binding, Credible Commitment (Ostrom 1990)	Common Ownership	-
Market: Example	Service Economy Entrepreneurship	a)Branding, Warranties b)Experts, Testing	-	-	SCHUFA, Standard-Setting Associations	-
State: Response	a)Regulatory Policy b)Redistribution	Risk Pooling	a)Public Provision b)Issuing Property Rights, Where Possible	a)Regulatory Policy b)Repricing c)Issuing Property Rights, Where Possible	a)Regulating b)Outsourcing c)Common Carriage d)Public Provision	a)Regulatory Policy b)Domestic Infant Industry Protection
State: Example	a)Affirmative Action b)Public Spending	Compulsory Health, Unemployment, Disability Insurance	a)Military b)Intellectual Property Protection	a)Minimum Standards b)Ecotax (Pigouvian Tax) c)Emission Trading	a)Motorways b)Airbus & Boeing	a)Anti-trust, Anti-discrimination b)Industrial Policy (Company Car Subsidy in Germany)
Fiscal Sources	Proportional, Progressive Taxation	General Revenue	General Revenue	Pigouvian Taxes	Fees	General Revenue

Real  
Denomination

Nominal  
Denomination

Creditors

Debtors

Asset Holders

*Inflation*



Fixed Incomes  
Cash Holders

*Inflation*



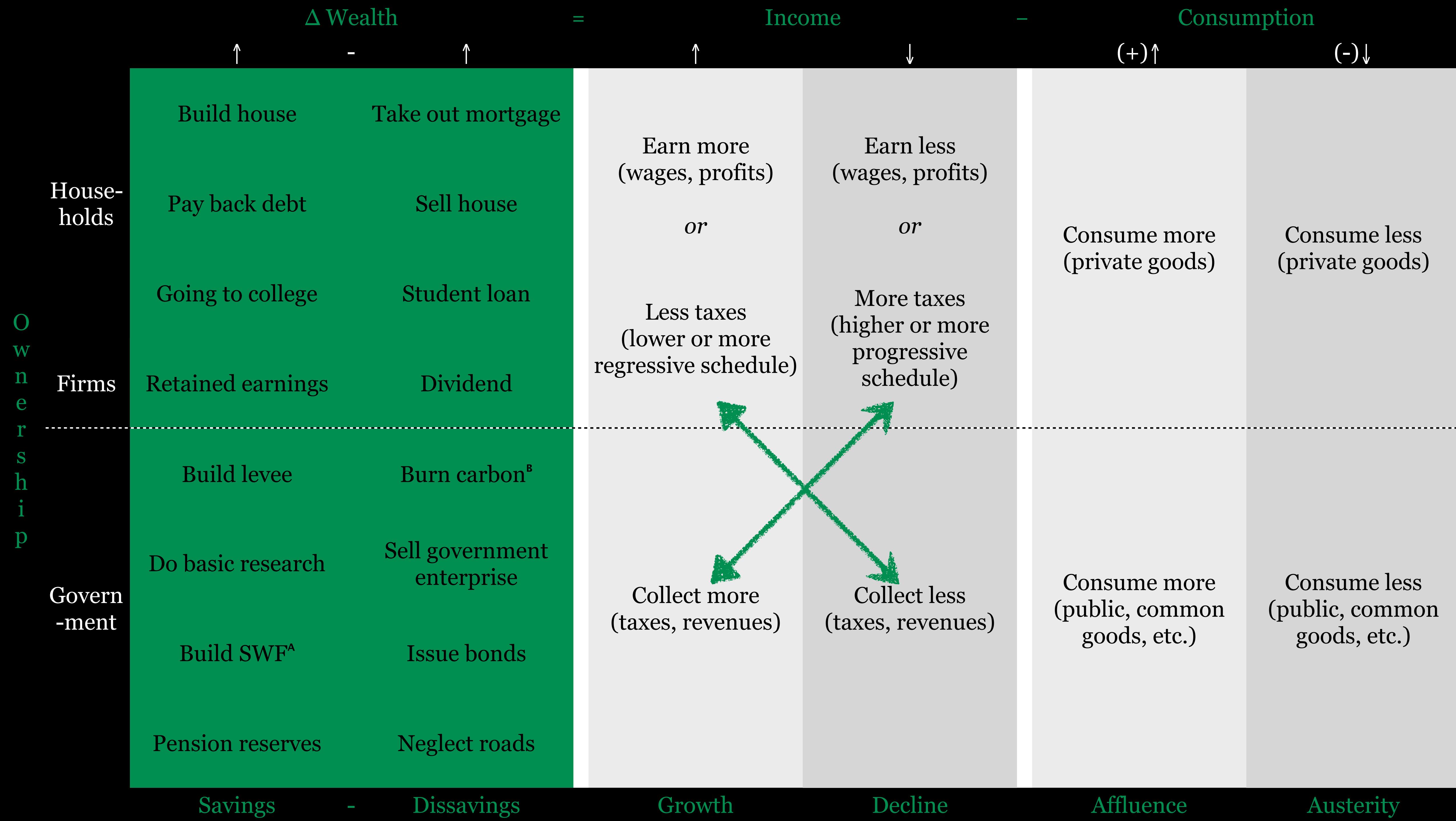
Short Sellers

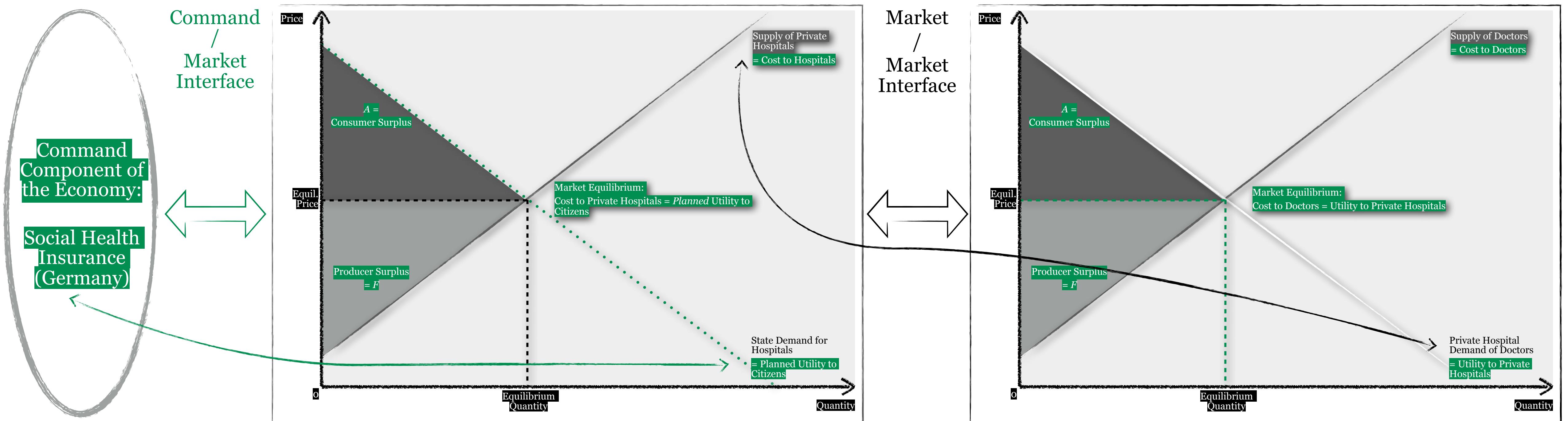
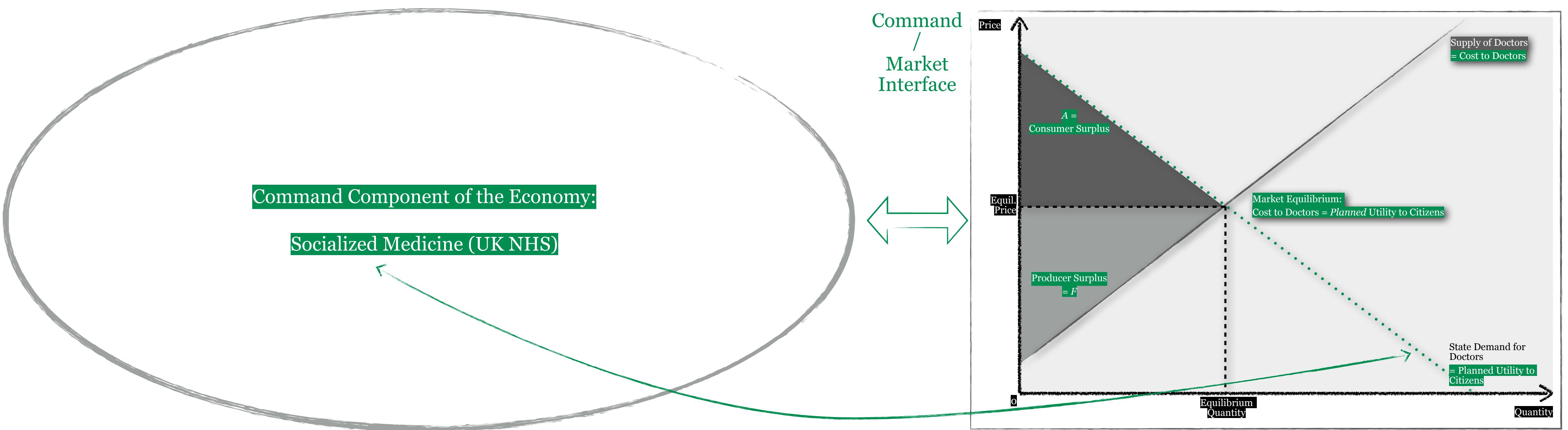
*Inflation*



*Inflation*

Mortgage Takers





	Within Country	Conditions for International Political Economy
Fairness in Inputs	<p><b>Equal Opportunity (Policy Paradigm)</b></p> <p><b>Maximizing Social Mobility (Policy Goal)</b></p> <p><i>Quality Public Education, Affirmative Action (?) (Policy Proposals)</i></p>	<p><b>Fair Trade / Asymmetric Liberalization</b></p> <p><b>Converging Productivities, Converging Factor Endowments</b></p> <p><i>Infant Industry Protection (?) Special and Differential Treatment (WTO)</i></p>
Efficiency of Outcomes	<p><b>Growth</b></p> <p><b>Full Factor Employment, Productivity Increases</b></p> <p><i>Incentivizing Work, Investment, Productivity Countercyclical Policy</i></p>	<p><b>Comparative Advantage</b></p> <p><b>Maximizing World GDP</b></p> <p><i>Complete Mobility of Factors and Goods</i></p>
Equity of Outcomes	<p><b>“Difference Principle” (Rawls 1971)</b></p> <p>Greater equality (lower <u>Gini</u> coefficients) over time, increasing GDP</p> <p><i>Progressive Taxation of Wealth, Consumption</i></p>	<p><b>Coordinated Redistribution</b></p> <p>(Slowly) Converging Post-Tax Rents on Capital, later Labor for given levels of Factor Productivity</p> <p><i>EU-, OECD-, Worldwide (?) Tax Regime</i></p>
Sustainability	<p><b>Limited Discounting of the Future</b></p> <p>Demographic Stability Preservation of Environment Net Capital Accumulation</p> <p><i>(Public) Deficits &lt; Investments</i></p>	<p><b>Global Financial Stability</b></p> <p>Moderated Financial Market / Exchange Rate Volatility Balanced <u>Current Accounts</u> (Medium-term) Balanced <u>Capital Accounts</u> (Medium-term)</p> <p><i>Free-Floating Currencies (?)</i></p>

Capital Account			=	Current Account		
Central Bank Foreign Reserves	+ Net Ownership of Foreign Assets	=	Factor Incomes	+ Balance of Trade		
	Investments Abroad	- Loans from Abroad	= (Foreign Earnings)	- Foreign Payments)	+ (Exports) - Imports)	
Own ership	Households	Buying shares in French agribusiness	Taking out mortgage from Icelandic bank	Dividends on French agribusiness shares	Interest payment to Icelandic mortgage bank	Cuckoo clocks to USA Olive oil from Greece
	Firms	Foreign Direct Investment (FDI) in Romanian plant	US-owned corporate paper in German firm	Returns from foreign subsidiaries	Dividends to foreign owners	Capacitative touchscreens to USA Diesel engine particle filters from France
	Government	Buy Zimbabwean bond	Sell German bond to British holders	Interest payments on German-owned Zimbabwean bonds	Interest payments to British holders of German bonds	Used tanks to Turkey Commuter trains from Italy
Capital Outflow			Recipient		Trade Surplus	Trade Deficit



**Visualization to illustrate PAYGO vs funded.**

**With little people over different time points who either invest in factories (symbol)  
or other people.**

Real  
Denomination

Nominal  
Denomination

Creditors

Debtors

Asset Holders

*Inflation*



Fixed Incomes  
Cash Holders

*Inflation*



Short Sellers

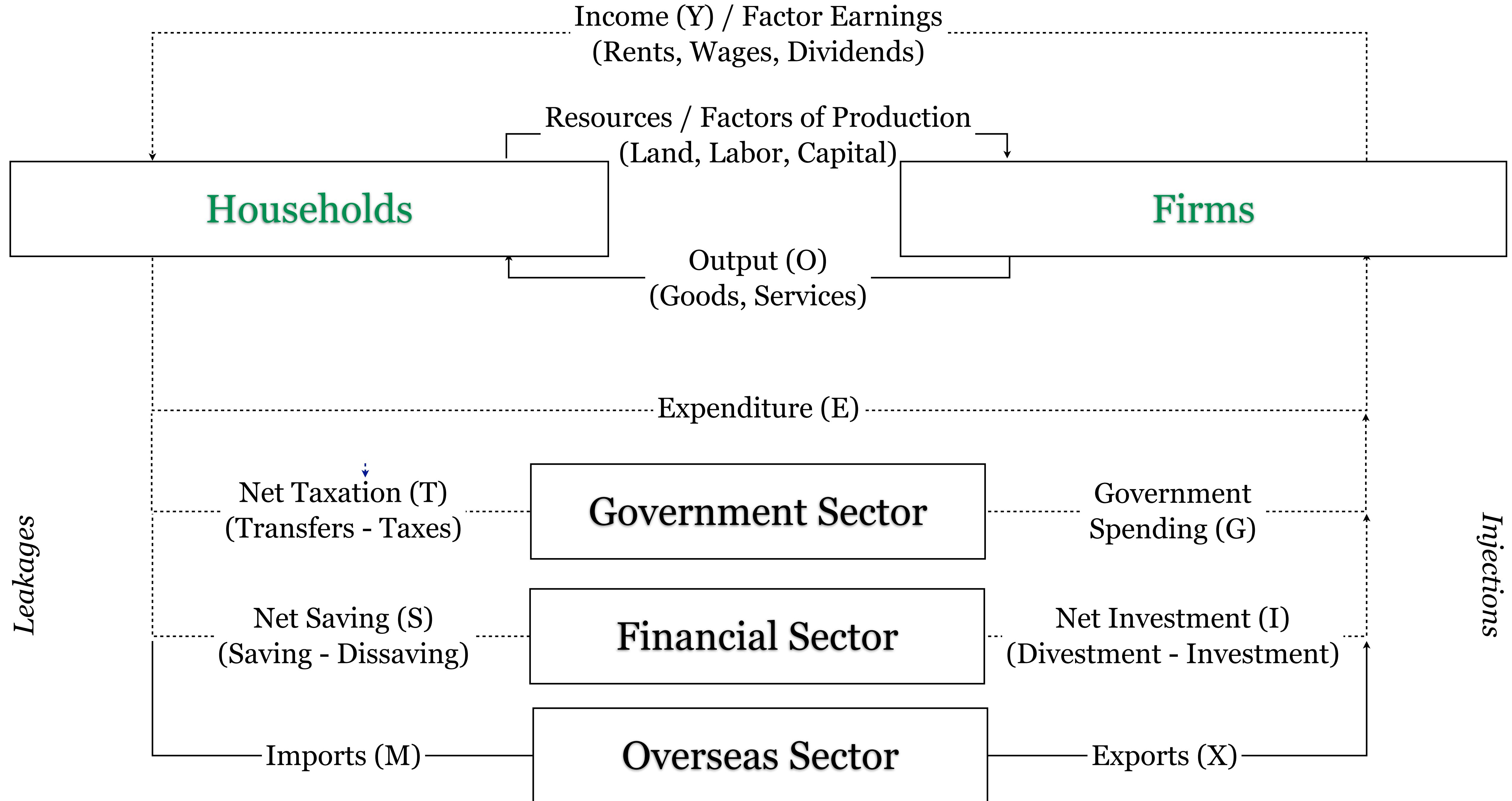
*Inflation*

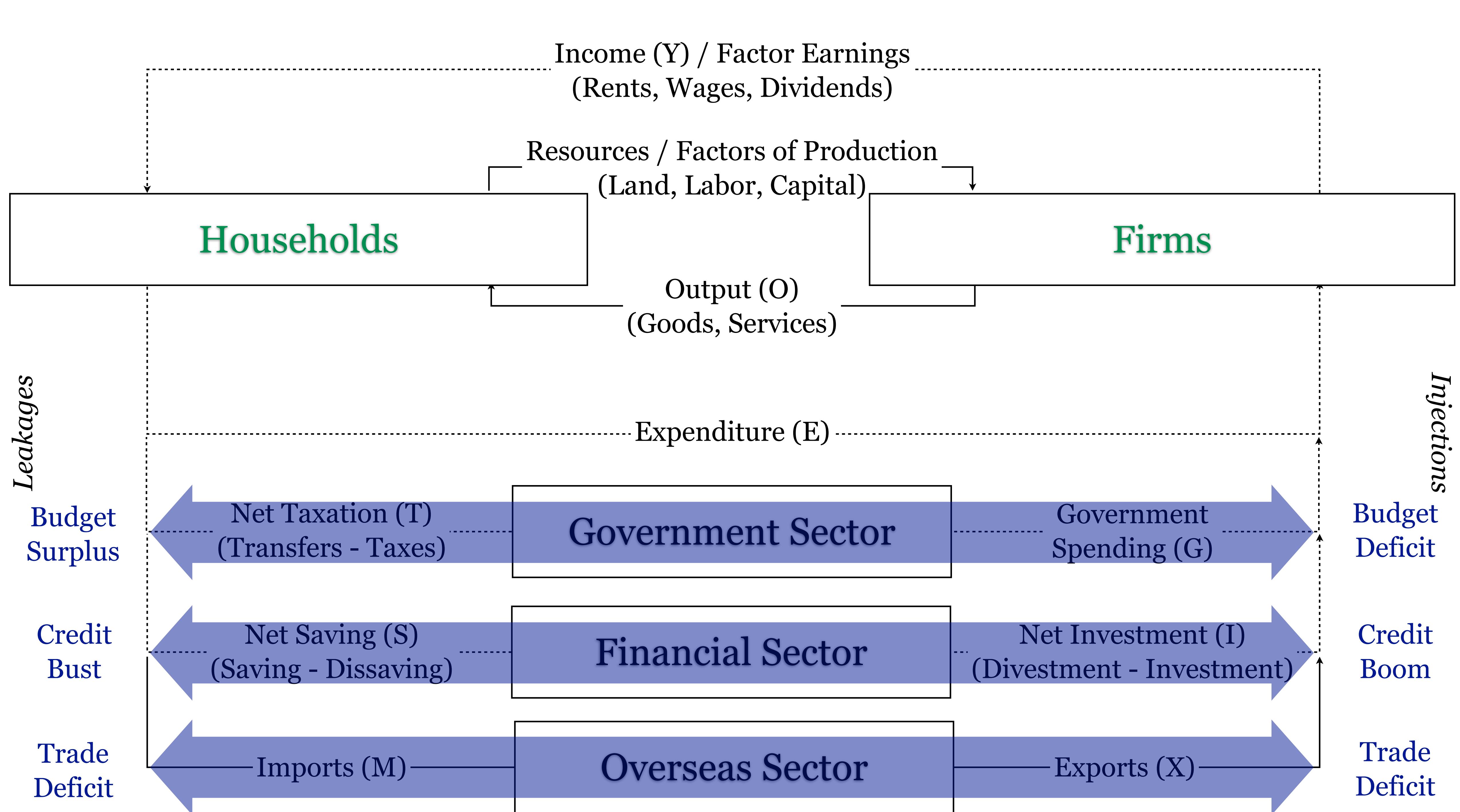


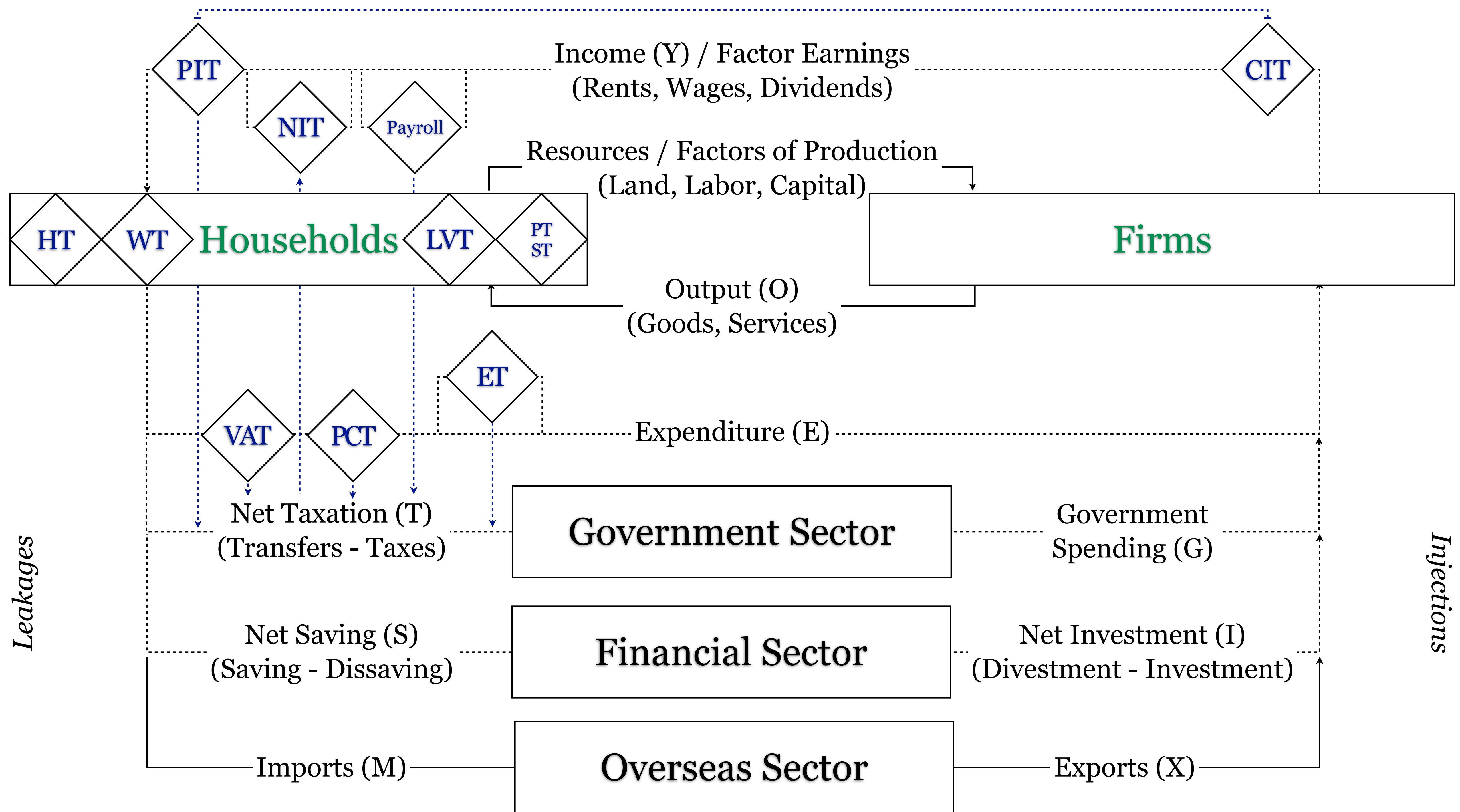
*Inflation*



Mortgage Takers

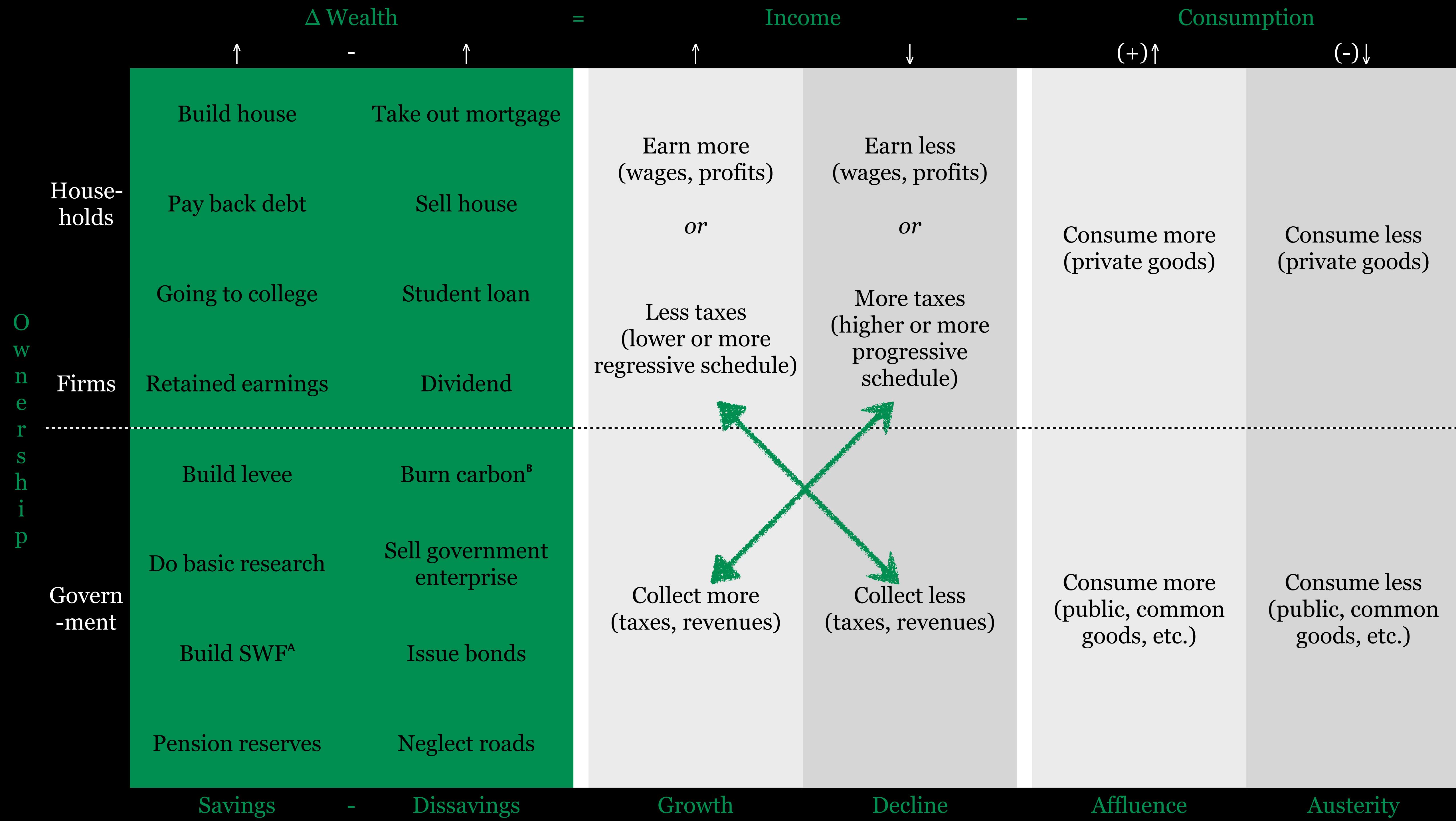




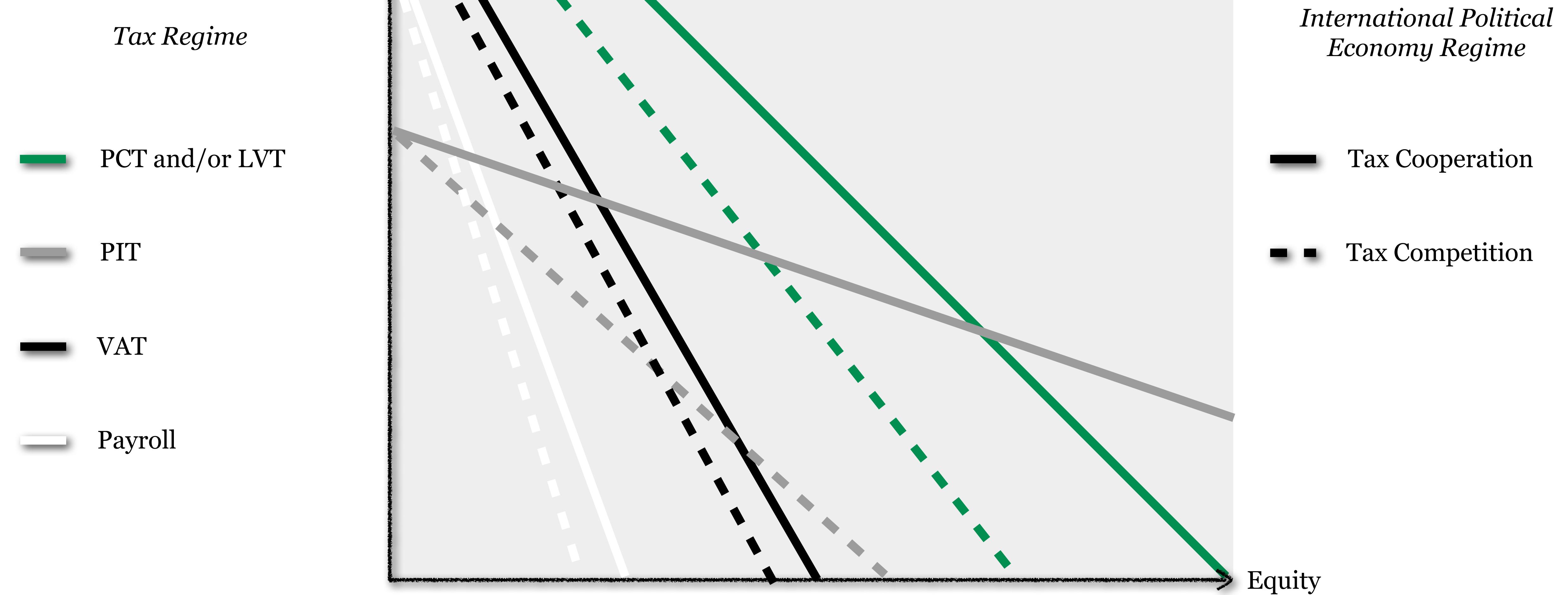


# Tax



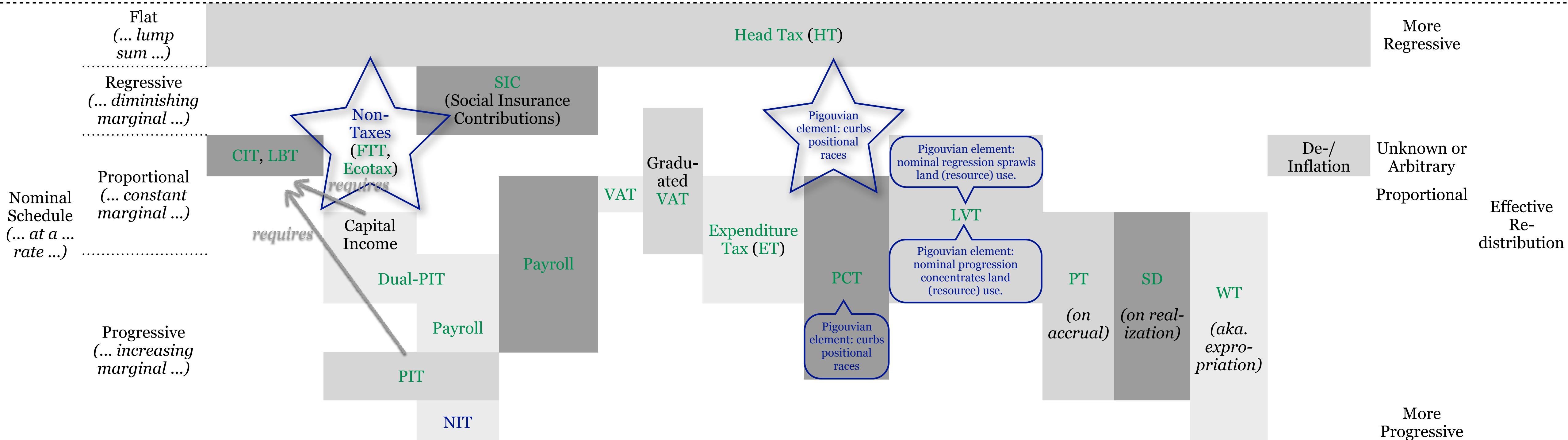


# Efficiency



Nominal Base (All <u>citizens</u> pay taxes on ...)								
Income (... what they earn as rents from ...)		Consumption (... what they consume away ...)			Wealth (... what they own in ...)			
Capital	Labor	Prepaid	Postpaid & Cashflow	Land (& Natural Resources)	Property	Net Worth		
... interest, dividends, often capital gains, ideally gifts, inheritance, imputed rents ...	... in wages, salaries, sometimes self-employment and ideally imputed income from leisure ...	... at the point of sale ...	... as the difference between incomes and net savings, including a-/depreciation over a period ...	... unimproved value of land and natural resources ...	... improved value of land, including buildings ...	... net of all assets & liabilities ...		
Flat (... lump sum ...)								
Regressive (... diminishing marginal ...)								
Proportional (... constant marginal ...)								
Nominal Schedule (... at a ... rate ...)								
Progressive (... increasing marginal ...)								
1/? Owners 1/? Labor 1/? Consumers ...	OSN: 2x Capital  Y2X: 2x Capital	on the proportional component: Labor, Capital		1x Labor 1x Capital, when it enhances lifestyle (Y2C applies).	OSN: 3x (some) capital  Y2C: 2x (some) capital	burden depends on real- or nominal denomination of debt and credit		
More Regressive								
Unknown or Arbitrary Proportional								
Effective Re-distribution								
More Progressive								

Nominal Base (All <u>citizens</u> pay taxes on ...)								
Income (... what they earn as rents from ...)		Consumption (... what they consume away ...)			Wealth (... what they own in ...)			
Capital	Labor	Prepaid	Postpaid & Cashflow	Land (& Natural Resources)	Property	Net Worth		
... interest, dividends, often capital gains, ideally gifts, inheritance, imputed rents ...	... in wages, salaries, sometimes self-employment and ideally imputed income from leisure ...	... at the point of sale ...	... as the difference between incomes and net savings, including a-/depreciation over a period ...	... unimproved value of land and natural resources ...	... improved value of land, including buildings ...	... net of all assets & liabilities ...		
Flat (... lump sum ...)								
Regressive (... diminishing marginal ...)								
Proportional (... constant marginal ...)								
Nominal Schedule (... at a ... rate ...)								
Progressive (... increasing marginal ...)								
1/? Owners 1/? Labor 1/? Consumers ...	OSN: 2x Capital  Y2X: 2x Capital	on the proportional component: Labor, Capital		1x Labor 1x Capital, when it enhances lifestyle (Y2C applies).	OSN: 3x (some) capital  Y2C: 2x (some) capital	burden depends on real- or nominal denomination of debt and credit		
More Regressive								
Unknown or Arbitrary Proportional								
Effective Re-distribution								
More Progressive								

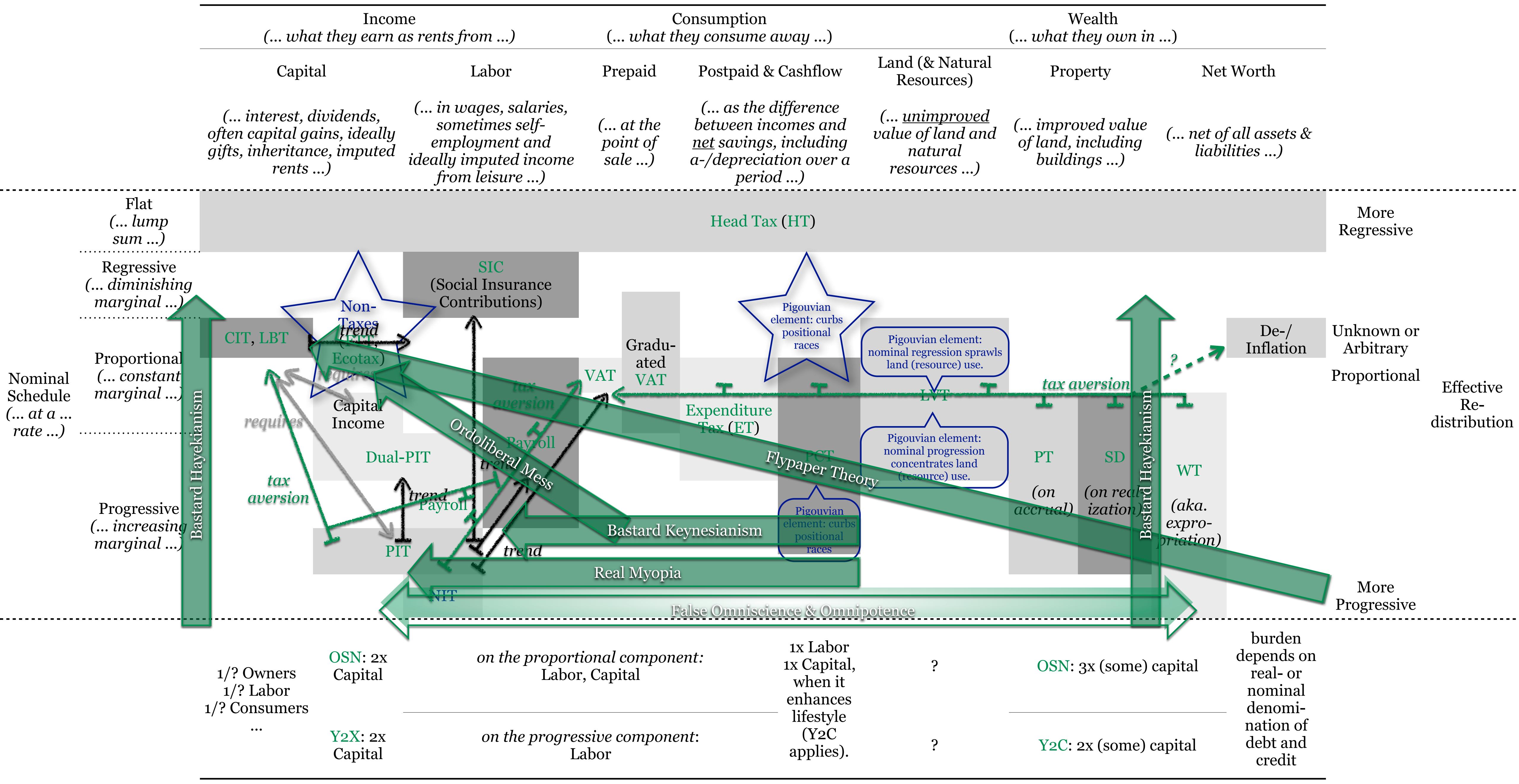


Nominal Base (All <u>citizens</u> pay taxes on ...)								
Income (... what they earn as rents from ...)		Consumption (... what they consume away ...)			Wealth (... what they own in ...)			
Capital	Labor	Prepaid	Postpaid & Cashflow	Land (& Natural Resources)	Property	Net Worth		
... interest, dividends, often capital gains, ideally gifts, inheritance, imputed rents ...	... in wages, salaries, sometimes self-employment and ideally imputed income from leisure ...	... at the point of sale ...	... as the difference between incomes and net savings, including a-/depreciation over a period ...	... unimproved value of land and natural resources ...	... improved value of land, including buildings ...	... net of all assets & liabilities ...		
Flat (... lump sum ...)								
Regressive (... diminishing marginal ...)								
Proportional (... constant marginal ...)								
Nominal Schedule (... at a ... rate ...)								
Progressive (... increasing marginal ...)								
1/? Owners 1/? Labor 1/? Consumers ...	OSN: 2x Capital  Y2X: 2x Capital	<p>on the proportional component: Labor, Capital</p> <p>on the progressive component: Labor</p>		1x Labor 1x Capital, when it enhances lifestyle (Y2C applies).	?	OSN: 3x (some) capital  Y2C: 2x (some) capital		
<p>More Regressive</p> <p>Unknown or Arbitrary Proportional</p> <p>Effective Re-distribution</p> <p>More Progressive</p>								

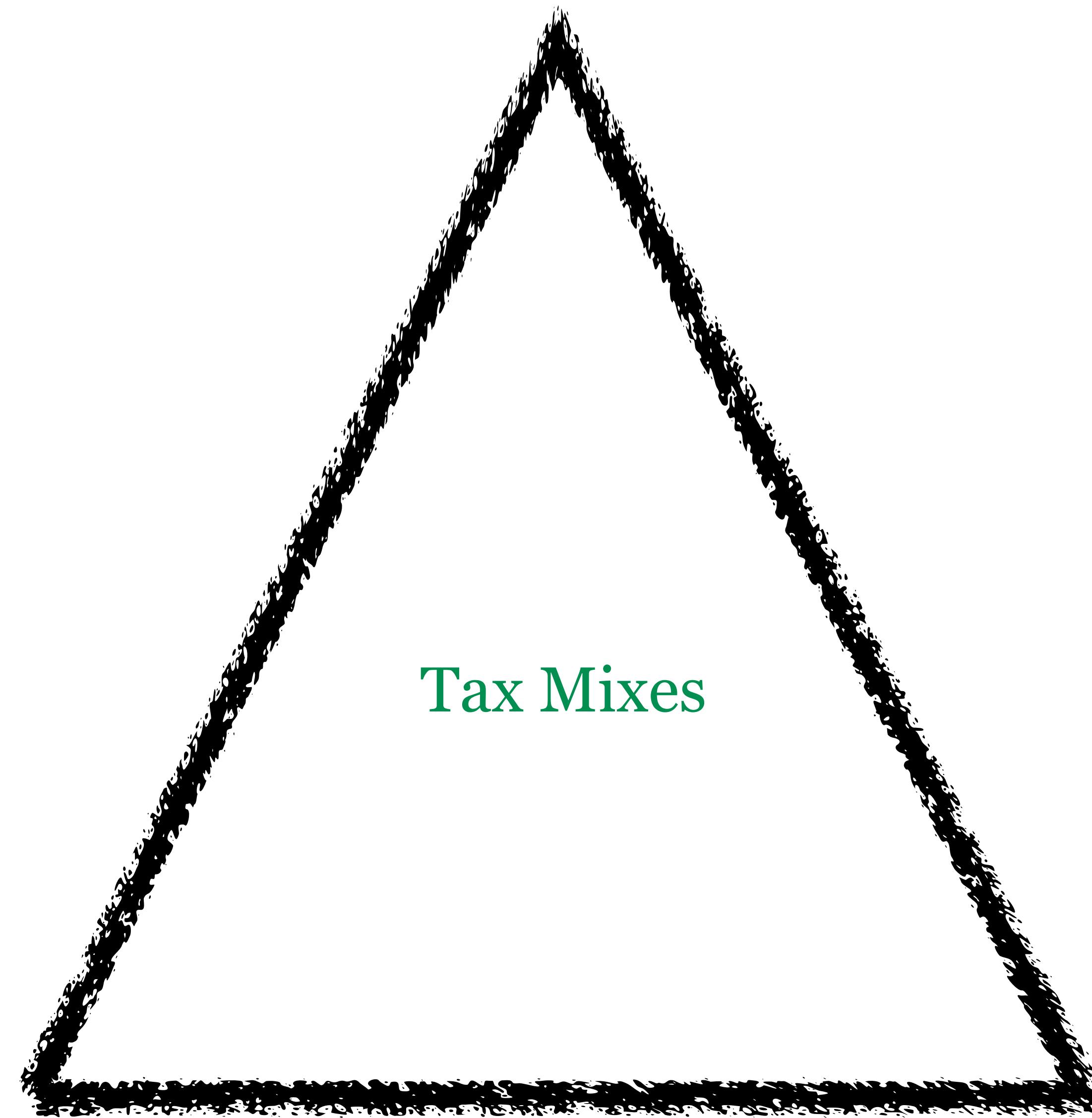
**Nominal Base**  
*(All citizens pay taxes on ...)*

Income <i>(... what they earn as rents from ...)</i>	Consumption <i>(... what they consume away ...)</i>	Wealth <i>(... what they own in ...)</i>		
Capital  <i>(... interest, dividends, often capital gains, ideally gifts, inheritance, imputed rents ...)</i>	Labor  <i>(... in wages, salaries, sometimes self-employment and ideally imputed income from leisure ...)</i>	Prepaid  <i>(... at the point of sale ...)</i>	Postpaid & Cashflow  <i>(... as the difference between incomes and net savings, including a-/depreciation over a period ...)</i>	
Land (& Natural Resources)  <i>(... unimproved value of land and natural resources ...)</i>	Property  <i>(... improved value of land, including buildings ...)</i>	Net Worth  <i>(... net of all assets &amp; liabilities ...)</i>		
Flat  <i>(... lump sum ...)</i>				More Regressive
Regressive  <i>(... diminishing marginal ...)</i>				Unknown or Arbitrary
Proportional  <i>(... constant marginal ...)</i>				Proportional
Nominal Schedule  <i>(... at a ... rate ...)</i>				Effective Re-distribution
Progressive  <i>(... increasing marginal ...)</i>				More Progressive
1/? Owners 1/? Labor 1/? Consumers ...	OSN: 2x Capital  <i>on the proportional component:</i> Labor, Capital	Y2X: 2x Capital  <i>on the progressive component:</i> Labor	1x Labor 1x Capital, when it enhances lifestyle (Y2C applies). ?	burden depends on real- or nominal denomination of debt and credit
1/? Owners 1/? Labor 1/? Consumers ...	OSN: 3x (some) capital  <i>Y2C: 2x (some) capital</i>		?	

Nominal Base  
(All citizens pay taxes on ...)



# Personal and Corporate Income Taxes

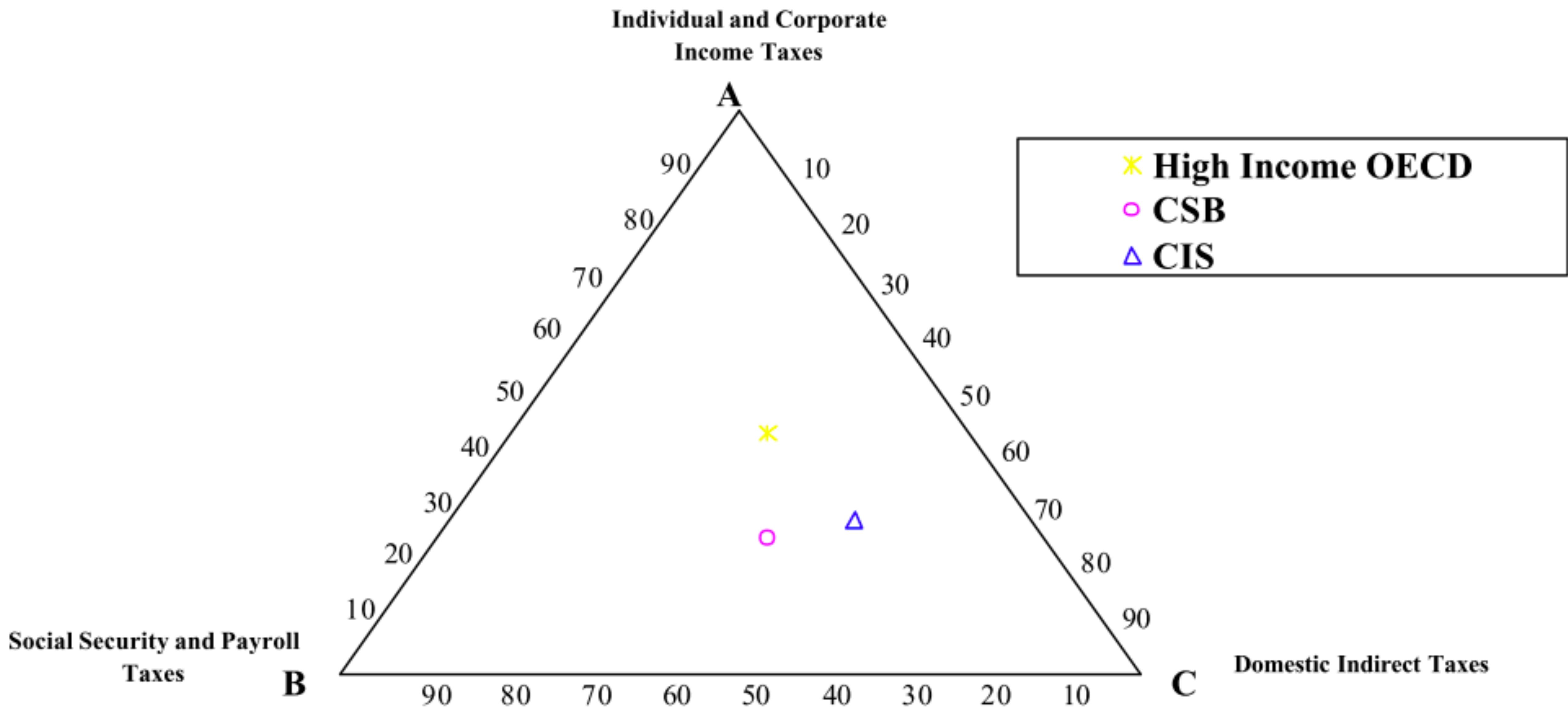


Tax Mixes

Social Security  
& Payroll Taxes

Domestic  
Indirect

**Figure 6: Breakdown of Non-trade Tax Revenue by Type: High Income OECD, CSB, and CIS Economies (unweighted group averages)**



		<i>Rest of World</i>			
		Open Markets	Open Markets	Autarky	$\wedge$
		$\wedge$ High Taxes	$\wedge$ Low Taxes	Any Tax	
Home	Open Markets	?	$x \geq 2$		0
	$\wedge$ High Taxes	?	$x \leq 2$	0	
	Open Markets	$x \leq 2$	2		0
	$\wedge$ Low Taxes	$x \geq 2$	2	0	
	Autarky $\wedge$	$0 < x \geq ?$	$0 < x \geq 2$		0
	Any Tax	0	0	0	

The above payoff matrix is not a well-defined, sufficiently formalized game. To adequately model the international political economy, *Rest of World*, ROW, would have to be disaggregated into at least two more players, making a two-dimensional representation of the game impossible. Liberalization and taxation are impossible to be adequately modeled with only two players, for then, autarky of one player would by definition imply autarky of the other player. In real life, at least theoretically, countries could exit from international trade and finance with other countries still continuing on the road to liberalization.

Table 1: A Schematic Payoff Matrix for the International Political Economy of Taxation and Liberalization.

Misc.

