

Tax evasion in Germany and the campaign for “moral leadership”

The case of Klaus Zumwinkel

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“This is beyond anything I could imagine.” These were the words used by the German chancellor Angela Merkel of the Christian Democratic Union (CDU) on February 15 to describe the accusations of tax evasion levelled against the managing director of German Post, Klaus Zumwinkel. One day earlier, tax inspectors had searched Zumwinkel’s Cologne mansion, as well as the headquarters of his company in Bonn.

Zumwinkel is accused of using trusts to transfer €12 million to secret accounts in banks located in the tax haven of Liechtenstein to avoid paying taxes in Germany.

Media reports indicate that the Treasury possesses detailed documents of nearly a thousand similar cases of tax dodgers who have parked their money in the LGT Bank in Liechtenstein. The information is on a CD, which the German Intelligence Agency (BND) bought from an informant for €4.2 million. The German tax investigation agency has requested some 900 search warrants, and since the start of this week dozens of dwellings in the luxury suburbs of Munich and other large cities have been searched. At the same time, individuals seeking to avoid prosecution have sent a series of amended tax returns to revenue offices.

Merkel’s horror over the scandal is merely show. According to press reports, the chancellor was informed months ago that the BND had an informant with “sensitive data” on hundreds of tax dodgers.

It is no secret that the province of Liechtenstein makes its money by promising total anonymity to tax evaders. The German government estimates that the number of trusts in the tiny principality is around 75,000. A “considerable portion” were founded by German investors, according to an internal government paper. It is quite clear that the donations made to these trusts were primarily “for tax evasion purposes.”

Merkel is not entirely innocent when it comes to such trusts in Liechtenstein. She owes her rise in the leadership of the CDU to the donations scandal that shook the party over a decade ago. At that time, CDU barons such as Helmut Kohl and Wolfgang Schäuble were forced to give up their leading posts in the party because of their involvement in the illegal transfer of funds, which in part landed in the vaults of trusts in Liechtenstein. So one is allowed a degree of scepticism when the German chancellor now declares her astonishment at the criminal energy employed by highflying German tax dodgers.

Merkel heads an entire group of leading politicians and business figures who are now hypocritically expressing their horror at what has taken place. They have reacted to the exposures in recent days with the call for a return to moral values and demanded that entrepreneurs and managers in leading positions demonstrate “moral leadership.”

Jürgen Thumann, the head of the industrial association BDI, called upon managers and businessmen to live up to their “role model” function. “Whoever is not prepared to accept it, no longer belongs,” Thumann told *Bild am Sonntag*.

Interior Minister Schäuble (CDU) warned last weekend that such behaviour shakes “confidence in the social free-market economy,” and warned the somewhat astonished tax dodgers: “These people ruin everything. It is a poor show when the elite no longer realise that they must adhere to the laws of the land.” Schäuble went on to declare that confidence in the “social free-market economy” was more endangered by sections of the business elite than by the trade unions.

Leading Social Democratic politicians have taken a similar line. The leader of the SPD parliamentary group Peter Struck joined in: “I have absolutely no

understanding for this kind of acquisitiveness,” and called for the “unyielding application of law.”

Commentaries in the German media also warn that the “individual bad behaviour of large investors leads the public to suspect that the system is at fault” (*Süddeutsche Zeitung*), or, unlike the head of government “many normal citizens now think that managers are capable of almost anything” (*Frankfurter Rundschau*).

The loud calls for morality are in fact aimed at preventing any deliberation over the causes of this widespread form of crime. Why is tax evasion involving millions considered to be a harmless offence? Why does a man such as Zumwinkel, who would never dream of stealing a car, have absolutely no scruples when it comes to smuggling millions aboard, although severe cases of tax evasion can be penalised with up to ten years in prison?

This obviously has something to do with the state of society. The enrichment of a tiny minority at the expense of society as a whole has been official government policy for over thirty years. Cuts in taxes for the wealthy and on corporations have been a regular feature of virtually every government that has ruled Germany during this period.

Between 1998 and 2005 the top level of tax was cut from 53 to 42 percent. Angela Merkel’s government, which in 2005 replaced the SPD-Green Party coalition, even sought to do away with a progressive tax system and introduce a flat tax whereby the wealthy earning billions pay the same rate of tax as a low-income worker. However, in the face of popular opposition Merkel was forced to drop her plans.

While the owners of capital and leading managers have been systematically encouraged to enrich themselves, expenditure for social purposes was declared wasteful and drastically cut. Those dependent on national support were branded “social parasites” and huge wells of poverty have developed throughout German society fuelled by accelerating welfare cuts.

Against this social background it was only natural that millionaires such as Zumwinkel took personal responsibility for reducing their tax burden and hid a part of their fortune in tax havens. In the final analysis, they were only doing what the political elite demanded of them: they cut the level of funding due to the state for public spending in order to fill their own pockets. If caught, which seemed improbable, they could count on the fact that any prosecution could be stymied or hampered with the payment of a modest sum. Many large-scale enterprises even publicly boasted in recent years

that, despite soaring profits, they never paid a cent in taxes.

Zumwinkel is misfortunate enough to have been singled out by tax inspectors. The media had been informed about the planned search of his house and the post office boss was escorted off to police headquarters before rolling cameras. At the same time the public prosecutor’s office announced that hundreds of house searches would be made in the coming days and weeks. The aim was evidently to send a warning to the tax dodgers and induce as many as possible to send in revised tax returns. Since then the investigations have been more subdued.

As head of the Federal Postal Administration, once the largest German state enterprise, Klaus Zumwinkel unofficially embodied government policy. It is no coincidence that until recently he worked as an advisor to the government, has been feted as Manager of the Year and awarded Germany’s highest civil recognition, the Order of Merit.

After the partial privatisation of the post office in the middle of the nineties, Zumwinkel cut 150,000 jobs in close cooperation with the trade unions, while cutting the benefits and wages of those retaining their jobs. At the same time, the incomes of leading managers and board members rose astronomically—with the enthusiastic approval of the ruling business and political elite.

Now the same elite is reacting to Zumwinkel’s case with the call for “moral renewal” aimed at preventing the public from grasping the social context that lies behind widespread corruption and rapidly growing social inequality.

Responsibility for such lapses, we are told piously, lies not with official politics or the social system, which encourages a tiny minority to enrich itself. No, the problem is the greed that infects everybody. Black sheep can be found everywhere, irrespective of whether they are rich or poor. This is the message that the German elite, supported by the media, is intent on propagating.



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