Sustainable financing of welfare states

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Tax-revenue in Europe

- EU-27 tax revenue 40% of GDP in 2011, a slight increase from 2009 and 2010
- Peak in 1999 with 42.5%
- Highest in Denmark, Belgium and France
- Lowest in Lithuania, Bulgaria and Latvia
- Slightly trends towards convergence
- Green-taxes only a limited amount average in 2010 around 2.5% of GDP
Graph 1.2: Long-term trends in the overall tax ratio (including SSC) % of GDP

Note: The statistical break is due to the change from ESA79 to ESA95. All data are GDP-weighted.
Graph 2.1: Growth in house prices and revenue from recurrent immovable property taxes, 2000-2008

Note: Avg: The average only include those countries for which data on the house price evolution and on the change in property tax revenue are available
Source: Commission services
Energy tax revenues has been declining

**Graph 1.22:** Energy tax revenues in relation to final energy consumption (real ITR on energy)
Euro per tonne of oil equivalent, deflated with cumulative % change in final demand deflator (2000=100)

**Note:** GDP weighted average

**Source:** Commission services
Graph 1.21: Evolution of the structure of environmental taxes
2000-2010, difference in % of GDP

Note: Weighted averages
Source: Commission services
Graph 1.23: Energy tax revenues by Member State 2010, in % of GDP

Note: weighted averages
Source: Commission services
Some general sustainable ways of financing welfare

- Broadening tax-base – less deductions in taxable income
- Taxes on immobile factors
- Taxes and duties on environmental damaging activities – including use of non-renewable sources (for example, oil)
- Sustainability also implies better management of ”good” and ”bad” times
Some general sustainable ways of financing welfare

- Full-employment strategies – the welfare states as investment states
- Ensuring compliance of tax-payers
- Reduce use of tax-heavens – international co-operation

Conclusion: A variety of strategies that respects national boundaries and international economic integration