

REIMAGINE
ECONOMY
RIE

AN IDEAL FISCAL SYSTEM FOR THE 21ST CENTURY **TASK FORCE**





**"I WILL STAND FOR TAX FAIRNESS -
WHETHER FOR BRICKS-AND-MORTAR
OR DIGITAL BUSINESSES."**

URSULA VON DER LEYEN, PRESIDENT OF THE EUROPEAN COMMISSION

INTRODUCTION

The economic and technological progress that has characterized the last decades has also led to an exponential increase of inequalities globally. Inequalities that can be observed not only among countries, but also within nations, regions and cities. The price of the progress is at cost of people's well-being, health and the environment, and it is producing violent and alarming social reactions, fuelled by frustration, sense of injustice and anger. A frustration that becomes manifest in the networks of outrage and hope that have flourished globally in the past decade and the support for alternative political parties with anti-systemic undertones.

Already prior to the COVID-19 pandemic, a reflection on the modern fiscal systems started flourishing from multiple academic and policy circles around the world. This reflection has become more urgent during the current health crisis, which pushed the economy further towards a much more capital and technology-centred model, which is less dependent on the workforce's contribution. In fact, most fiscal systems in Europe were created before the first world war, when the economy looked very different, and national governments had the sovereignty to define and impose their perspectives. Many of the problems we face today can be ascribed to the fact that most rules of the international economy were conceived at a time when the movement across borders of goods, capital and activities was difficult and expensive. In recent decades, globalization has pushed many governments into a race to the bottom on taxation that aims to attract business and investment, despite any possible consequence on global economy's health or long-term sustainability.

It is clear that those rules were designed at a very different time and are not adapted to answer the economic challenges of the modern context, as can be seen by problems posed by the digital economy (GAFA and the European Digital Tax), fiscal fraud and tax evasion (Panama and Paradise Papers) and global economic competition (US threat of tariffs). The COVID-19 health crisis has exposed the failures, fractures and fissures that have long existed in our societies and economies, radically changing the perspective on the future of the fiscal framework and confirming that the necessity to 'build back better' will inevitably include the reform of the EU fiscal rulebook, as Commissioner for Economy, Mr Paolo Gentiloni, said.

Re-Imagine Europa wants to offer new ideas to answer the profound challenges that the bloc will face in the years to come. Ideas are the most powerful tool we have as humans. We need new ideas to overcome the challenges of tomorrow and adapt to the global, digital and highly mobile world we live in today. The recovery represents the right momentum to identify key issues to be addressed for this challenging process.

ABOUT RE-IMAGINE EUROPA

Re-Imagine Europa (RIE) is a nonpartisan think-tank, founded by President Valéry Giscard d'Estaing as the first **"incubator"** for new political ideas, in honour of the friendship and partnership with Chancellor Helmut Schmidt and their efforts to define a future that goes beyond personal, national or partisan interests.

By aiming to develop and promote a shared vision for Europe that pragmatically responds to fears and hopes of today, we aim to give the project of 'Europa' back to its citizens and work together with multiple stakeholders, such as civil society national governments, as well as the European Institutions, to create an understanding for the need of a stronger Europe adapted to the 21st century.



RIE acts as a **convener**, a **catalyst** and a **communicator**. The aim is to be both innovative and strategic in its approach as well as pragmatic and concrete. RIE works on the principles of evidence-based policy making, inclusive and collaborative approaches and working at an interdisciplinary and intersectoral level to build shared narratives and new ideas on topics of strategic importance.

As an **incubator of new political ideas** that aims to foster creative thinking, our methodology is inclusive, goal-oriented and future-looking. We work together with our partners and key thinkers on topics of strategic importance to Europe, as defined by the Advisory Board.

Re-Imagine Europa's methodology centres on developing a Task Force for each of the strategic challenges and engaging therein an Expert Committee comprised of roughly 100 experts from academia, think tanks, industry, NGOs, CSOs, and other stakeholder groups.

For each issue we address, the aim is to foster new thinking and innovative ideas. For this reason, RIE focuses on only a few issues at a time; the current priority areas are:

- **RE-IMAGINE EUROPA** – Future of Europe' Task Force
- **RIE DEMOCRACY** – Democracy in a digital society
- **RIE ECONOMY** – A fair and competitive economic system
- **RIE PLANET** – Narratives, climate, and the future

An increasingly influential stream of research demonstrates the integration of cognition and emotion in political decision-making, indicating the importance of **narratives** in building shared visions. Therefore, a key pillar of the work of Re-Imagine Europa is focused on developing stories and images that can engage people and explore old problems in a new light.

RIE is a Brussels-based International Non-Profit Organisation (Association Internationale Sans But Lucratif) supported by leading foundations, including La Caixa Foundation, Fondazione Cariplo, Bill & Melinda Gates Foundation and working on publicly funded international projects.



**"THE SPIRIT OF THE PEOPLE, ITS CULTURAL
LEVEL, ITS SOCIAL STRUCTURE, THE DEEDS
ITS POLICY MAY PREPARE - ALL THIS AND
MORE IS WRITTEN IN ITS FISCAL HISTORY"**

JOSEPH SCHUMPETER, ECONOMIST

TASK FORCE

The taxation system is central in shaping the whole economy and is crucial in issues as different from employment to investment and research. However, since the Maastricht Treaty, the underlying framework of the European fiscal rules has remained the same, despite constant revisions (although without significant Treaty changes).

Since most of the current tax systems were conceived for the economy of the twentieth century, they are unsuitable both from the point of view of taxpayers and to meet the needs of governments. Innumerable are the examples of obviously paradoxical situations. Today, for instance, we claim that “decreasing unemployment” is a priority for European governments, yet employment is one of the most taxed items in our economy. This is particularly concerning in a time of increasing automation and the rise of robotics and AI.

The European Commission had started a review of the European economic governance, which was first launched in February 2020, then put on hold due to the health crisis. Key objectives of this review are 1) ensuring sustainable government finances and economic growth, as well as avoiding macroeconomic imbalances; 2) enabling closer coordination of economic policies; and 3) promoting convergence in Member States’ economic performance. The post-Covid context should be taken as an opportunity for an ambitious reform of a now clearly outdated fiscal framework.

The aim of the Task Force is to develop innovative and pioneering proposals to build a blueprint for **an ideal fiscal system and a more competitive economic model for Europe in the 21st century.**

We need to redesign the fiscal system to deliver and support the objectives we have and find solutions for today’s economy. Reforming it will be even more important as numerous countries and experts are starting to move away from the “eternal economic growth” model to a more balanced and resilient economic system.

We believe that the challenges posed by a changing paradigm present a unique opportunity to reimagine the European economy and to demonstrate how we can only solve the posed challenges by this global, digital, highly mobile world by joining forces and using our common strength to develop a new vision that unites us based on the fundamental values that unite the European citizens.

Aware that most countries will need to reform their fiscal structures to deal with today’s reality, RIE suggests using this opportunity to think creatively and innovatively on the issue and come up with a solution that would be acceptable by most European countries.

Questions addressed will include:

- How will blockchain and cryptocurrencies affect the global and national economies?
- In a highly dynamic and moving gig-economy, how should an ideal tax system look?
- Panama and Paradise papers: how to stop “legal” tax evasion?
- Is the Digital tax the best way to address the digital economy?



**"TOGETHER, WE CAN DESIGN AN INCLUSIVE
FUTURE FOR OUR CHILDREN
AND THE GENERATIONS TO COME"**

ANGEL GURRÍA, OECD SECRETARY-GENERAL

PROJECT OVERVIEW

This programme will bring together the leading minds in Europe on this issue, with the support of strategic and knowledge partners from across sectors, political affiliation and experience, to develop a model for what an ideal fiscal structure might look like today, adapted to our current economy.

Under guidance of Alain Lamassoure, Chair of the Task Force, and a diverse group of key advisors, Re-Imagine Europa is mapping and talking with experts, to develop an overview of the state-of-the-art in research and practice, and an overview of how the narrative shift since the financial crisis in 2008 is changing priorities of society in Europe.

This work will be developed in three “phases” and has clear deliverables and milestones set up in order to ensure effective and efficient project management. The proposal for the new system will be outlined through the **Task Force’s final report**, which will be published at the end of the 18-month period during which the Task Force will be in charge.

Phase 1 – MAPPING

a) Map of key stakeholders and experts that should be involved in the Task Force. Involving the right stakeholders and ensuring that no group is left out will be imperative for the success of the Task Force. For this reason, a detailed mapping exercise will be important to ensure a balanced and well-defined group of experts and stakeholders.

b) Map of key narratives. It is through narratives, shared interpretations of the world, that people unite. However, narratives can also fracture society and polarize debate. To better understand the values and priorities that should be at the basis for European model for a sustainable economic model, Professor Andrzej Nowak and his team will map current narratives and the values behind them.

c) Map of policy alternatives with possible pros and cons. The aim is to produce a comprehensive overview of possibly viable policy options for re-thinking the European economic model, outlining potential positive and negative aspects of each option and making it easier to understand the landscape and questions that need to be addressed.

Phase 2 – CONTENT

The second stage of the work will focus on bringing together experts and key stakeholders to develop a shared vision and a concrete proposal as to what an ideal European fiscal model should include to be coherent with today’s reality and develop some original research based on the findings of the “state-of-the-art” (What areas of research looks most promising? Where do we need more evidence?)

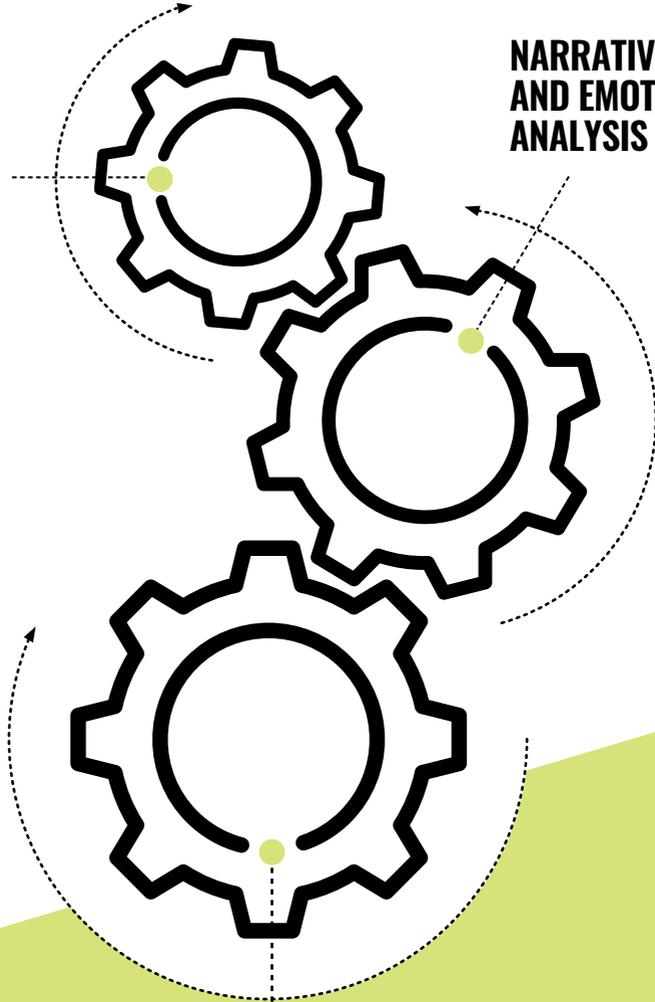
Deliverable: Blueprint on An Ideal Fiscal System for the 21st Century.

Phase 3 – OUTREACH AND ENGAGEMENT

The third phase will reflect the outreach activities done to promote the work of the Task Force and ensure that policy makers and key stakeholders are informed and receive the material and perspectives developed.

**CONTENT,
EVIDENCE
AND POLICY**

**NARRATIVES
AND EMOTIONAL
ANALYSIS**



**CHANGE
AND RESULTS**

WHY NARRATIVES?

Humans are social creatures. Our ability to work together underpins the stunning successes to date in fields both technical and creative. Shared stories foster shared identity and guide collective action. The multiplicative effect of working towards a shared goal is all the more impressive when driven by shared belief, rather than formal coordination.

Although the human brain is the most exquisitely powerful computational tool known, it necessarily requires simplifying structures to process the deluge of information it receives. Narratives are forms that our minds and cultures use to organise reality.

One of the most important findings of modern psychology is that the process of understanding is inherently constructive in nature. In fact, social reality is constructed in interactions between individuals and is co-created by people in groups, in conversation.

In a world increasingly dominated by technological sophistication, there has been a tendency to underestimate the role played by narratives in guiding individual and collective behaviour.

The role of narratives in shaping people's minds has become an important area of research and debate, in particular in recent years when entire societies have made choices that seem "rationally" counterintuitive. It is through narratives, shared interpretations of the world, that people unite. Yet, narratives also have the power to divide and polarize.

An increasingly influential stream of research demonstrates, in fact, the integration of cognition and emotion in political decision-making. Political cognition is emotionally shaped. In a globalised world, any desire for meaningful change on topics of increasingly universal concern will require a fine understanding of all the narratives at play should we wish to disrupt the present trend towards increasing polarisation



"THE EUROPEAN UNION HAS FULFILLED ITS HISTORIC MISSION: RECONCILE OUR PEOPLE THAT HAVE BEEN AT WAR FOR TWO THOUSAND YEARS. IT IS DONE! IT IS A MIRACLE. BRAVO! BUT THIS WAS THE CHALLENGE OF THE LAST CENTURY. NEW CENTURY. NEW WORLD. NEW CHALLENGE"

ALAIN LAMASSOURE

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Former Member of the European Parliament

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RIE'S COMMUNITY

Re-Imagine Europa actively works with key thinkers and institutions with diverse backgrounds and expertise, to encourage new thinking and collective intelligence.

5 STRATEGIC PARTNERS

20 KNOWLEDGE PARTNERS

OVER 100 COLLABORATING ORGANISATIONS

We strongly believe in the work done by so many think tanks, universities, research institutions, civil society organizations, companies, journalists and citizens passionate about improving life in Europe.

**LET'S JOIN FORCES AND
HELP BUILD A STRONGER
AND FAIRER EUROPE!**



THANK YOU

Re-Imagine Europa sincerely thanks its partners for their precious support and cooperation. We are deeply grateful that they have chosen to be a part of our community to re-imagine *Europa* with us!

STRATEGIC PARTNERS



KNOWLEDGE PARTNERS



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