

Submission to the Independent Expert on the Effects of Foreign Debt
[Call for Input: "Fiscal legitimacy through human rights", thematic report to the Human Rights Council](#)

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Q1: Existing fiscal and tax systems at the subnational, national, regional and international levels vary widely in their ability to ensure fiscal legitimacy. Some systems are more transparent, accountable, and fair than others. However, even the most well-designed systems can be improved. At the subnational level, fiscal legitimacy is often challenged by corruption, patronage, and a lack of transparency. In some countries, subnational governments have significant autonomy in setting and collecting taxes, but they are not always accountable to the people they serve. This can lead to fiscal systems that are unfair and inefficient.

At the national level, fiscal legitimacy can be undermined by high levels of national debt, inequality, and a lack of public trust in government. In some countries, national governments have implemented austerity measures that disproportionately impact the poor and vulnerable. This can lead to a sense of injustice and a loss of faith in the government's ability to manage public finances in a fair and responsible manner. At the regional level, fiscal legitimacy is often affected by the relationship between national and subnational governments. In some regions, subnational governments are heavily dependent on transfers from the national government. This can make it difficult for them to raise their own revenue and to set fiscal policies that meet the needs of their local communities. At the international level, fiscal legitimacy is challenged by the complexity of the global financial system and the lack of transparency and accountability in international financial institutions. In addition, the global tax system is often criticized for being unfair and for allowing wealthy individuals and corporations to avoid paying their fair share of taxes.

Q2: Fiscal measures and policies can significantly impact fiscal legitimacy. Progressive taxation policies, where the wealthy contribute proportionally more, strengthen legitimacy by promoting economic equity. Conversely, regressive taxes, like consumption taxes, can hinder legitimacy by disproportionately affecting low-income individuals. Additionally, measures promoting tax evasion prevention, transparency, and international cooperation can strengthen fiscal legitimacy, while loopholes and tax havens can hinder it.

Q3: At all levels, the economic challenge often revolves around balancing revenue generation with the equitable distribution of resources. This is complicated by global economic interdependencies, cultural perceptions of taxation, and resistance to changes in fiscal policy. In certain cultures, taxation may be seen as an intrusion into personal wealth, which can hinder the acceptance of fiscal legitimacy measures. Moreover, disparities in economic development and resources between regions and nations can complicate the pursuit of legitimacy.

Q4: Taxation systems play a pivotal role in determining fiscal legitimacy. Regressive tax systems, such as flat taxes or sales taxes, disproportionately burden the poor and vulnerable. This type of taxation system can hinder fiscal legitimacy by creating a sense of injustice among those who feel that they are paying more than their fair share in taxes.

Progressive tax systems, on the other hand, can strengthen fiscal legitimacy by ensuring that everyone pays their fair share. This type of taxation system typically taxes higher-income earners at a higher rate than lower-income earners. Tax avoidance and evasion by wealthy individuals and corporations can also hinder fiscal legitimacy. This type of behavior undermines public trust in the fairness of the tax system and can lead to a sense of injustice among those who pay their taxes honestly.

Q5: Existing fiscal systems across levels often fall short of fully incorporating and realizing the seven fiscal legitimacy principles. Accountability, transparency, responsibility, efficiency, effectiveness, fairness, and justice should guide fiscal policies, but in practice, there are gaps. Governments and international bodies may struggle to be fully accountable for their fiscal decisions, leading to a lack of trust among citizens. Transparency may be lacking, making it difficult for the public to understand how fiscal resources are allocated. Responsiveness to the needs of citizens can be inadequate. Efficiency and effectiveness in resource allocation may be compromised due to bureaucratic inefficiencies. Moreover, fiscal systems may not always promote fairness and justice, exacerbating inequality.

Q6: Some states, international organizations, and stakeholders have taken steps to implement fiscal legitimacy principles. For instance, some countries have introduced comprehensive budgeting processes that involve citizens and civil society in decision-making, promoting accountability. Transparency initiatives, such as publicizing budget allocations and expenditures, have improved public understanding of fiscal matters. Additionally, some states have introduced progressive tax policies that aim to reduce income inequality and enhance fairness. International organizations, like the OECD, have worked on initiatives to combat tax evasion. However, full implementation remains a work in progress, and the effectiveness of these efforts can vary.

Q7: Challenges to implementing these principles include resistance to change, vested interests, and a lack of international cooperation. Recommendations to address these challenges include promoting education on tax compliance, reducing tax evasion through technology, and creating international agreements to close tax havens and establish common tax standards. Encouraging public participation in decision-making and tax policy discussions can also foster fiscal legitimacy.

Q8: Fiscal legitimacy principles offer a holistic framework for evaluating tax systems. They can guide policymakers in designing fairer and more transparent tax policies. Additionally, these principles empower citizens to hold governments accountable for fiscal decisions. Furthermore, international cooperation on these principles can create a more equitable and just global fiscal landscape, benefiting all stakeholders.