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## **Extraordinary wealth taxes. Case study of War Wealth Levy of 13th April 1945 in Poland.**

Doctoral thesis in the field of Economic Sciences, written under the supervision of professor Rafal Matera

### **Abstract**

The goal of this Ph.D. thesis was to check whether extraordinary taxes are just and meaningful. To answer this question four hypotheses were carefully tested ([1]extraordinary wealth taxes are unfair; [2]extraordinary wealth taxes are difficult to implement in practice; [3]extraordinary wealth taxes were of little importance – they did not solve the macroeconomic problem of public debt, they were characterized by low fiscal efficiency (tax revenues were insignificant in relation to the previously budgeted revenues), their anti-inflationary effect was only short-term, tax did not lead to a positive behavioral effect); [4]the extraordinary tax on war enrichment, like other extraordinary taxes, was unfair from the point of view of tax fairness, did not solve any of the major macroeconomic problems and caused practical difficulties in implementation). Hypotheses were not falsified. The author presented main paradigms in the field of the analysis of economic justice and later examined practical efforts to tax people in an (un)just and (in)efficient way. Case study, data analysis and text analysis (legal comparative methods, humanistic text reconstructions methods) methods were applied.

### **1st Chapter.**

The first chapter attempts to assess extraordinary wealth taxes from the theoretical perspectives of three disciplines: economics, law and philosophy. The concepts of justice of the philosophers of economics: John Rawls, Robert Nozick and Amartya Kumar Sen, as well as the legal point of reference in the form of tax rules, were considered. I concluded that fundamental inconsistencies of great theories of justice (due to the fact that the differences between them are of a paradigmatic nature) do not allow to draw any substantial conclusions. However, it was possible to clearly indicate in the context of the first hypothesis that extraordinary wealth taxes are definitely unjust from the meta-ethical position of deontology, while from the consequential position such an unambiguous assessment is not possible.

### **2nd Chapter.**

With the second chapter, the author begins the empirical part of the work, as an attempt to answer the hypotheses on the basis of pure theory failed. The following cases of extraordinary wealth taxation were analyzed: Italian Royal Decree of November 24, 1919, *Reichsnotopfergesetz* (RNOG) of December 31, 1919, and *Varlık Vergisi* of November 11, 1942. These examples cannot be found in British and US review texts on the subject. Supplementing the qualitative empirical material with these examples can be seen as an element of a significant contribution to science. In the case study method used in this and the next chapter, the author tried, as far as possible, to stick to the following analytical scheme: presentation of the reasons and motives for introducing the tax, legal analysis, economic analysis, opinions of eminent authorities in the field of law and economics, conclusions and possible recommendations for political economy.

### **3rd Chapter.**

The subsequent chapter discusses cases from the history of interwar Poland: Tribute on Real Estates in Capital of January 29, 1919, Extraordinary State Tribute of December 16, 1921, Tax on Enrichment, Which Was Revealed by the Purchase of Real Estate and by Repayment of Debts of March 31, 1922 and the Act of August 11, 1923 on wealth tax. Only the 1923 tax has been analyzed many times so far. Other tributes, in earlier publications in the field of economic history and the history of the state and law, were mentioned only because of the chronicler's obligation. The study showed that the Second Polish Republic was characterized by a propensity, unique on a European scale, to apply extraordinary fiscal measures. Poland obtained in some years more significant revenues from them (14% of the budget in 1919, 28% of the budget in 1922). The authors of the time explained this phenomenon with the specificity of the Polish mentality – our readiness for extraordinary efforts and victims. This conclusion allowed to refine the hypothesis about the inefficiency of this type of taxes, showing that all empirical data cannot be reduced to a completely unambiguous generalization, and the specificity of each country is simply different.

### **4th and 5th Chapter.**

The fourth and fifth chapters are devoted to the most thoroughly investigated case, the Tax on War Enrichment of April 13, 1945, amended in 1949. This tax once again confirmed the hypothesis that most of the extraordinary levies have essentially little economic significance. It was also deontologically unjust, like all the other examples, because of diminishing the source of taxation, which is the taxpayer's property. Another manifestly unfair factor were the confiscatory tax rates (similar to the Italian and German cases). Due to the availability of archival materials (sources from the period after World War II are much better preserved than sources from the period after World War I), the analysis covered all court rulings regarding this particular tax (it turned out that the tax still functions), and it was possible to find documents proving the unfair treatment of specific taxpayers.

### **Conclusion**

The conclusion from this Ph.D. thesis is that the paradigms of fundamental theories of justice are just way too different to allow us to draw clear conclusions, based on them alone. We need to provide rich empirical analysis and use theory as a supplementary resource.

In particular, the rarely discussed Turkish case is a proof of the possibility of an occurrence of an extremely unfair levy in the tax system, regardless of the applied theory of justice. Concerning the „efficiency” hypotheses, Western European examples are consistent with previous studies, which concluded that extraordinary taxes have little to no fiscal significance, only a short-term deflationary effect, a symbolic impact on reducing public debt, and only negative behavioral effects (increased tax avoidance, discriminatory behaviours based on religion, nationality and ethnicity in Turkish case). CEE cases, on the other hand, give some hope that extraordinary taxes might work if we lower our expectations towards them.

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