

Paper 2 of the Introduction to the Project "Tax Justice & Poverty"

Methods, Resources and Scope of the Project

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1 Methodological premises

1.1 Legal, economical-statistical or social science approach?

The first question at the beginning of any research is the one looking for the best possible methods and those approaches into the research field which promise the best possible insights and results. Regarding the research project at hand the first and most fundamental decision concerned the question whether a primarily legal, economical/statistical or a more (quantitative/qualitative) social science approach should be selected.

Obviously, taxation is easy to address regarding existing legal instruments on the one hand, and, on the other, the outcome of tax collecting efforts/revenue gathering on the other: For the first, a body of texts is normally accessible, for the second, statistics are published or are comparatively easy to generate.

Accordingly, there are a number of governmental, intergovernmental and non-governmental organizations conducting tax related research by using this approach even in murky areas of transborder flows, e.g. methods from macro- and micro-economics, for example Global Financial Integrity or the Tax Justice Network. They have been publishing a lot of literature originating in this area of analysis. It has been suggested to the researcher to do some own statistic and calculation pertaining to their specific research interest, e.g. to assess clearer the amount of money transferred abroad from their own countries secretly and outside established financial structures by wealthy elites. But it has been quickly established that this would

overtax own capacities and resources: It would bind over proportionately resources while the expected results could hardly be better than that which has been elaborated already by other research. In other words: To focus here seemed not to be promising since a lot is being done here already by others which are better equipped.

The researchers of the Tax Justice and Poverty project therefore are making use of existing quantitative resources provided by intergovernmental and national bodies as well as NGOs and media as good as possible and as far as it is needed to place their research into the context of national and international discussion and limit their own collection and provision of quantitative data to the absolutely necessary.

At the same time, it is our feeling that this approach does not reveal anything about the most interesting part of tax revenue collection: HOW is it being done by the relevant authorities and what criteria exactly do they apply to conduct their business? Between legal frameworks and statistical outcome there is a Black Box which is, due to tax secrecy provisions, difficult, if not impossible, to penetrate from the outside. Moreover, there are pitfalls and options for manipulation, as will be discussed in more detail below in 3.¹ Here, therefore, the social-science, qualitative approach enters:

Since a very important asset of the institutions conducting the Tax Justice & Poverty project is the fact that those hosting institutions are operated by the Jesuit order, whose members and institutions are associated, first of all, with a high qualitative standards and, secondly (and most importantly) with a high amount of trust in the confidential treatment of sensitive information. This made it easy for informants to trust the interviewer and to be more open than they could be towards researchers belonging to other institutions. All this is a first reason for the use of instruments, e.g. interviews, which enable to collect and compile qualitative data by developing and applying instruments of qualitative social science research. Furthermore, as will be shown in the next chapter, however, the secrecy and walling off surrounding the issues of wealth and taxation is another reason why the use of interviews is a key instrument to access important data for this research project.

On the whole, therefore, it was concluded to combine different research methods such as comprehensive literature review, own surveys and interviews with experts and informants. That way, this research uses instruments both of legal, economical/statistical as well as quantitative and qualitative social science research and thus adopts a Mixed Methods Approach (Creswell, 2009).

1.2 The “See-Judge-Act” approach

To find agreement on anything in today’s complex and pluralist world is not easy, given the fact that from varying values and norms of different world views follow different evaluation of “facts” and, therefore, diverging “solutions”. This is even more complex in a world which promotes actively “alternative facts” outside the established scholarly consensus or calls for the advent of a “post truth” world.

¹ An updated overview of our referencing system within documents and between documents of this research can be accessed under <http://tinyurl.com/tjp-referencing>

Since this project is based within the Catholic we decided to proceed according the trias “See-Judge-Act” and its variations which is at home in Catholic Social Teaching and Liberation Theology (Tax Justice & Poverty, 2013a). We believe that this approach holds many promises in overcoming ideological divides and agree on joint action (see E/IV/1.4).

2 Social science research in a “secretive environment”

There are, of course, many publications relating to tax administration and revenue. Most of them, however, are based on quantitative data analysis, and this is independent from the source of publication, i.e. intergovernmental, governmental or NGOs. Very few publications are looking into the “inside” mechanisms of how tax administrations work, how efficient they are, what mistakes are common and how tax officials themselves view their work. For this, there are a number of reasons, most importantly issues surrounding “tax secrecy”, i.e. attempts to keep everything surrounding tax administration and collection under the seal of privacy and confidentiality which makes tax administration a highly secretive environment.

2.1 Tax secrecy and other determinants

Therefore methods applied by the research are in particular tailored to collect data in a milieu which is characterized by walling off, secrecy and plenty of highly sensitive issues. Such a “secretive environment” is a specific sub-category of a “social environment”² and is as such governed by characteristic sets of rules and informal norms which need to be understood and dealt with if meaningful results are hoped to be obtained. Some characteristics of such a “secretive environment” are, for example:

- The absence of key information in publicly accessible form.
- The need to distinguish between public-official information (e.g. on part of administrative and political institutions) on one side and personal insider information of experts working in the same institutions on the other side.
- Strong legal, social (and cultural) inhibitions towards and on part of conversation partners to reveal key information.
- Access to key information on an informal basis requires strict mechanisms of data protection and, most importantly, measures to protect the identity of informants.

Research in the field of taxation is very much shrouded in secrecy as characterized by the factors listed above. Data collection touches upon financial interests of individual and corporate actors and afflicts influential persons and groups. The research field, its actors and processes are protected by very high legal standards of secrecy (e.g. the “Tax Secret”) and many people willing to cooperate by providing research are very afraid of repercussions for their own professional and even personal well-being.

In Germany, the Tax Secret is even stronger protected by law than social and personal data of individuals: Whereas it was possible to be granted access to individual cases and files during his research on illegal migration, there was an absolute no-go here during the research on Tax

²For more information see http://en.wikipedia.org/wiki/Social_environment

Justice & Poverty. It can be easily imagined that secrecy surrounding wealth and taxation in the African countries is even higher.

For that reason it was helpful that one of our team did his specialization in such an environment, namely the field of undocumented (“illegal”) migration, human trafficking and organized crime. In preparation of these studies 1996-1999 important data collecting and assessment instruments were developed with the help of the Centre for Surveys, Opinions and Analytics,³ based at Mannheim University. This Centre was an advice centre sustained by German academic social research institutions which provided guidance and assistance to researcher wanting to go into fields which are secretive, protective and very difficult to access and where information collected is highly sensitive. With the help of those experts, a variety of concepts, methods and criteria could be developed which eventually were adequate to do empirical field research and compile a first research report on illegal migration in Germany (Alt, 1999). The instruments were used also in subsequent years within the same area of research and could thus be tested, adapted and refined (Alt, 2003). The research and its developed and applied methods and instruments received laurels when being awarded 2004 the Augsburg Academic Prize for Intercultural Studies and the President of the German Research Council himself held the laudation.⁴ For more details regarding qualitative methods of social science research shall be referred to the preceding research and instruments used in the field of illegal migration, trafficking and organized crime which, however, exists only in a document in German language on the project website.⁵

2.2 Chance guided, perspective dependent, cluster information

Research in this field has some particularities deriving from the challenges described. First of all, research is chance guided and chance dependent. As will be detailed later, interviews of semi-official and informal conversation partners were one key access and key element of this research. Important elements arising here cannot be planned, for example, whether the researcher succeeds in establishing a trustful relationship trust with the interview partner. Trust in, for example, the willingness and capability of the researcher to protect the identity of his informants, is key for the honesty and comprehensiveness of answers provided. It is also key for written information provided and/or the willingness to recommend further interview partner and – perhaps – even introduce the researcher to that person. This in turn causes the research to be perspective dependent, because every conversation partner puts forward his/her point of view, which gives a certain part of the entire picture. Arising from here, information normally assembles around certain clusters, if in some areas information is more detailed than in others. In the worst of cases, information in some areas will be very good and detailed, while information in other areas lack substance and cannot be used. How to deal with these challenges and proceed with those problems, will be discussed below (8).

³ Zentrum für Umfragen, Meinungen und Analysen (ZUMA). Nowadays, this institution is known under the name The Leibniz Institute for the Social Sciences. More information in English language see <http://www.gesis.org/en/institute/>

⁴ Professor Dr. Wolfgang Frühwald, Augsburger Wissenschaftspreis für Interkulturelle Studien. See http://de.wikipedia.org/wiki/Augsburger_Wissenschaftspreis_f%C3%BCr_Interkulturelle_Studien

⁵ Jörg Alt (1997/1999) “In diesem Projekt verwendete Methoden zur Beobachtung und Beschreibung, für Interviews und zur Datenaufbereitung.“

3 Review of literature, research and other publications

A second access to the research area was the review of existing literature and publication separately from recommendations given by conversation partners.

3.1 Taking stock

At the start of the research stood, similar to other research projects, a survey and review of published literature. By doing this each of the three researchers could build upon previously acquired expert knowledge in the field, either by themselves or their institution.⁶ This review has been done in the following ways:

- Since each participating institution did previous work in taxation, an updating survey on the existing body of current literature has been done among libraries, expert and partner institutions.
- An internet research has been conducted about current publications especially from academic and other research institutions.
- National administrative institutions or inter-governmental institutions (e.g. the OECD) dealing with taxation issues were asked what information in written form could be recommended and provided for this research.
- A wealth of information emerges from national and international NGOs with which the participating institutions are linked already in various projects. Here also contacts could be used for obtaining advice and material.
- Publications in journals and newspapers by taxation experts were a very valuable source of information especially since the Offshore Leaks publication sparked off a whole series of investigative journalism.

In terms of quality one has to distinguish between literature checked by supervising bodies or peer review, e.g. academic bodies or expert NGOs, and publications where this has not been the case and whose publication might even contradict the first body of literature. Especially investigative journalists or whistleblower might publish facts and proceedings which are openly rejected by official authorities or mainstream scholars. Still, they might contain more truth than others are prepared to confirm. Here, of course, specific criteria of verification are called for (see below 8).

Doing this review and reading gave already first ideas of the state of knowledge and discussion and assisted the researchers to formulate first research hypotheses for their first rounds of expert interviews.

3.2 The problem of quantitative data collection and data bases

The view exists widely, that macroeconomic statistics and quantitative social science research is very “objective” and based upon “hard facts”. However: There are many gaps and loopholes, especially in a field shrouded by secrecy such as taxation, and many theoretical assumptions which influence and direct research questions, data compilations and findings.

⁶ Germany: Issues relating to the taxation of the financial sector. Zambia: Research done in relations to the Zambian system of taxation. Kenya??

Wealth Reports: Piketty is pretty devastating in his critique of one of the most popular source of information, namely “Forbes” rankings or “Global Wealth Reports”. Journalists as those of Forbes, he argues, have a very limited access to sources and do not spend serious effort to evaluate and corroborate their findings, while Global Wealth Reports deserve scepticism and restraint since they are often produced by banks, funds and insurances whose prime intention is to attract customers with their publications (Piketty, 2014a, p. 441). However, there are good reasons to include those documents nevertheless:

First of all, Piketty himself admits that it is more likely than not that the super-wealthy and their lawyers try to hide assets from the tax man which puts also a question mark behind the quality of this data. On the other hand: who should be more knowledgeable about the extent of wealth than those banks in whose hands the wealthy entrust their assets? And in favour of Forbes, Manager-Magazin and others investigating wealth for their rankings, one can assume that a large number of wealthy people is eager to cooperate and provide willingly information about their wealth situation. For many, a prominent place in those rankings is seen to be some sort of competitive achievement, like some “order of merit”. Another widespread deficit, when assessing inequality, is, that wealthy households are under-sampled in “representative” studies because their number is so small. Information contained in Wealth Reports provides insights exactly in this milieu, its sociological composition, the composition of its assets etc. because it is focussing on them and banks spend a lot of effort, resources and care to shed light into this important segment of potential customers.⁷ Consequently, to use information from here may complement deficits arising from other samples. The problem is, of course, that those wealth reports also diverge in findings. For example: following the Wealth-X/UBS report German UHNWIs are second in the world, following Credit Suisse, Germany ranks third behind the USA and China.

Besides that, the following sources are of importance:

Household surveys, based mainly upon standardized interviews. The problem with information gathered here is that not everything is revealed by the interviewee, either purposely or unintentional, the latter perhaps because the interviewee is not aware of the true extent of his wealth (since s/he has employees who do this for him) or because he is not aware that certain categories of income and possession would figure at all in the overall assessment.⁸ A disadvantage building upon this is that the researcher has no means to verify that which is being revealed in the interview. On a larger scale the problem is that household surveys are not done with comparable systematic and methodological means and that they do not go back

⁷ See, for example, Kortmann, K. Vermögen in Deutschland - Die methodische Anlage der Studie. In: (Lauterbach, Druyen, & Grundmann, 2011). Equally, most Wealth Reports are providing some information about their methodology and proceeding, for example Credit Suisse accompanies each of its Global Wealth Report with a detailed Databook, see <https://publications.credit-suisse.com/tasks/render/file/?fileID=5521F296-D460-2B88-081889DB12817E02>

⁸ Pikettys example is Liliane Bettencourt, one of the richest heiresses of France, who declared an annual income of 5 million Euro probably because this was all she was able to spend of her billions and therefore was mistaken to qualify as her “income”. (Piketty, 2014a, p. 525)

in history a long way.⁹ For that reason, databases building on them, especially if those surveys are done by different institutes or in different countries, do not necessarily permit historical or contemporary national, international or global comparison.

The use of **fiscal data, e.g. tax return data**,¹⁰ is an improvement when compared with findings based on household surveys alone: The advantage here is that in some cases records are going back a long time and yet offer diverse insights. For example: ‘Just as income tax returns allow us to study changes in income inequality, estate tax returns enable us to study changes in the inequality of wealth’ (p.17). A disadvantage which Piketty readily admits is that here, too, no exhaustive insight into the distribution of wealth can be achieved due to practices of tax avoidance (e.g. due to legal loopholes and practices developed by skilful tax advisors) or outright tax evasion (where the wealthy just hide undeclared possessions away from fiscal control in tax havens).¹¹

Regarding the two preceding paragraphs, one thing to bear in mind is that both household survey data and fiscal data are primarily national data. This reduces their usefulness in the attempt to understand transnational or global issues. There are, however, increasingly efforts by World Bank and OECD to adjust national data to uniform criteria so that international comparison is possible. Beyond that, specific data bases are created by using uniform criteria, e.g. the World Top Income Database of Piketty and his team or the Cross National Data Centre in Luxemburg and certain Wealth Studies.¹²

Finally, there are **macroeconomic calculations** drawing upon monetary cross border flows by analyzing national stock accounts including annual and consistent balance sheets. One example for research done with this instrument nationally is the German National Income and Expenditure Statistics (*Volkswirtschaftliche Gesamtrechnung*), but this approach is also used, improved and carried forward by international bodies such as the OECD. Not only governmental institutions, also international NGOs are working in these areas, for example Global Financial Integrity which is looking at leakages from the balance of payments and the deliberate misinvoicing of external trade (Kar & Freitas, 2012) or the Tax Justice Network (see I/IV/6).

Ideally, therefore, quantitative statements on wealth inequality should be based upon (and contain information deriving from) all three categories of sources mentioned here.

⁹ For example, US household surveys go back only to the 1940s (see <http://www.census.gov/cps/about/history.html>), the very important German Socio Economic Panel started only in 1984, see http://en.wikipedia.org/wiki/Socio-Economic_Panel

¹⁰ Thomas Piketty and his cooperators, but also the IMF and OECD see ‘substantial advantages’ of income data derived from tax returns. Piketty emphasizes the potential which tax data have even for getting a better understanding of the situation in poor countries: ‘In any case, the important point is that whatever flaws the tax authorities in poor and emerging countries may exhibit, the tax data reveal much higher—and more realistic—top income levels than do household surveys.’ (2014a, p. 329). For sub-Saharan Africa see I/IV/2.3.1.

¹¹ ‘I must stress the limits of the fiscal sources used in this chapter. Figures 8.3 and 8.4 are based solely on income from capital reported in tax returns. Actual capital income is therefore underestimated, owing both to tax evasion (it is easier to hide investment income than wages, for example, by using foreign bank accounts in countries that do not cooperate with the country in which the taxpayer resides) and to the existence of various tax exemptions that allow whole categories of capital income to legally avoid the income tax (which in France and elsewhere was originally intended to include all types of income).’ (Piketty, 2014a, p. 281).

¹² See <http://topincomes.parisschoolofeconomics.eu/> and <http://www.lisdatacenter.org/>

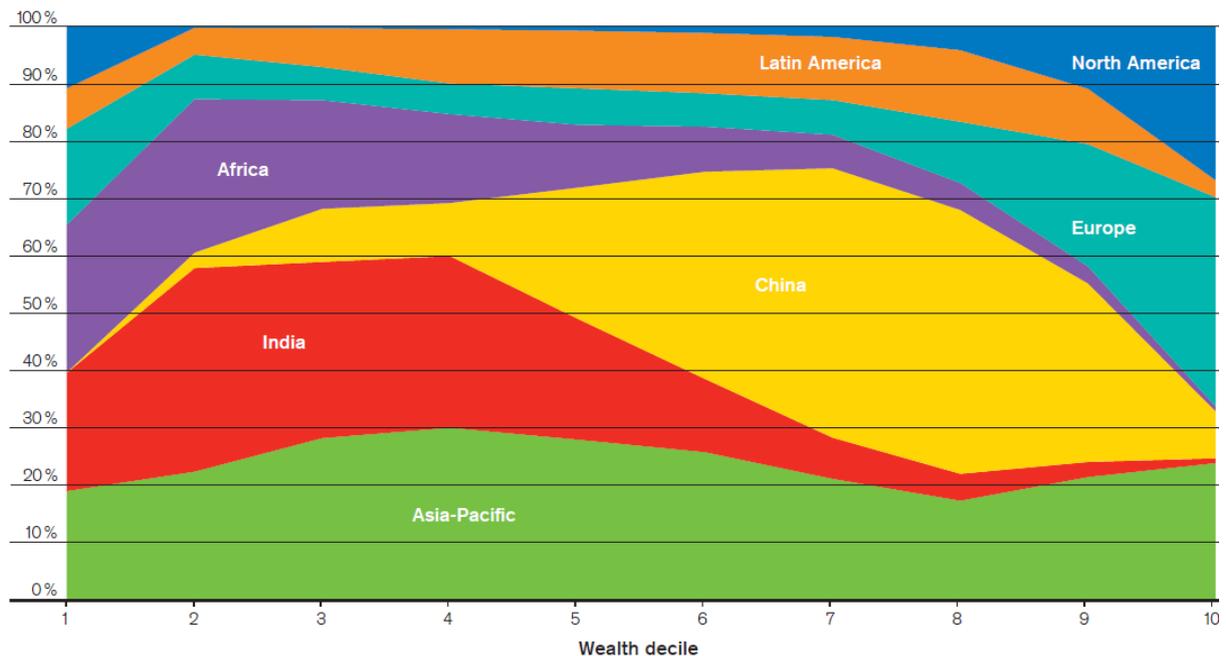
3.3 The problem of “creating” material

How dependent research is from its theoretical and ideological premises even before starting to collect “hard facts” via surveys or the evaluation of statistics shall be demonstrated by some examples.

The first is the following and looks at the “wealth development” where any observer might be surprised when looking at the positioning of China, whose middle class is, according to the Credit Suisse 2015 Wealth Report, doing particularly well:

Abbildung 1 Regional composition of wealth distribution

Regional composition of global wealth distribution, 2015



Source 1 (Credit Suisse, 2015, p. 12)

Credit Suisse writes for explanation:

The sizeable presence of China in the upper-middle section reflects not only its population size and growing average wealth, but also wealth inequality which, despite a rapid increase in recent years, is not among the highest in the developing world. China’s record of strong growth this century, combined with rising asset values and currency appreciation, has shifted its position in Figure 7 (above) towards the right. It now has more people in the top 10% of global wealth holders than any other country except for the United States and Japan, having moved into third place in the rankings by overtaking France, Germany, Italy and the United Kingdom. (Credit Suisse, 2015, p. 12)

Is that so? Then why do Germans not flock to China, where social mobility and wealth is so much better? Here one needs to be aware that the relative value of currency is of importance, also the application of national standards in a national, and then also an international comparison. Here it is also interesting to know that, globally seen, an average (!) annual (!) income of USD 3,210 places its recipient among the wealthiest half of global population and USD 68,800 places its recipient among the world’s top 10% (Credit Suisse, 2015, p. 11).

Applying, therefore, first national standards, of course there is a shift in national wealth in China, since more and more people move out of poverty. Still one has to be aware that the top 10% in Germany is still very much in a better situation than the top 10% in China, both in absolute and relative terms.

Next: in Germany, a very influential think tank, the Bertelsmann Foundation, published a comprehensive study titled “Who profits most from Globalization?”¹³ and comes to the conclusion: Finland ranks first, Germany fourth, and at the very bottom of 42 analysed nations one finds Brazil, Russia, Mexico, China, India and South Africa, which are, one notes, the most potent among the developing and emerging economies. This makes one wonder where even poorer states would rank! The authors are at least honest enough about their basic assumptions: They chose GDP (*Bruttoinlandsprodukt*) and income per capita as yardsticks while emphasizing the latter, arguing, that not GDP as such matters for establishing the material wellbeing of people, but the real GDP, namely income per capita. Here problems start already:

- What does GDP measure? Increases in real products and services or also cleanup efforts after an oil spill, the establishment of Gated Communities because of decreasing social stability and the huge turnover resulting from “innovative financial products and procedures” which at best profit small parts of a population?
- The study still talks about average figures. If, accordingly, the study concludes that Globalization brings annually EUR 1,240 to a German citizen, at least the German author of this paper knows many people who do not share in this annual blessing. This is equally useless regarding the understanding of inequality and poverty as the information according to which the mean net wealth of each German household lies around EUR 200,000.¹⁴

The problem is, as always, that even the Bertelsmann research contains some truth to it: When the authors defend their selection of GDP as indicator of material wellbeing and life-quality, they argue that material wellbeing creates jobs, smoothes over conflicts of redistribution and provides finance for public tasks such as education, health and wellbeing. ***True, but only if those gains can be captured with taxation from those who own it – which is, as this study will point out, exactly the problem.***

Average figures obscure more than they highlight and elicit. Accordingly, if the authors of this Bertelsmann study would have selected not the GDP per capita, but unemployment data, distribution of income and wealth, distribution of poverty, level of education attainment, population health or ecological integrity they most certainly would have come to different conclusions – as has also been indicated by the findings of commissions, which have been by

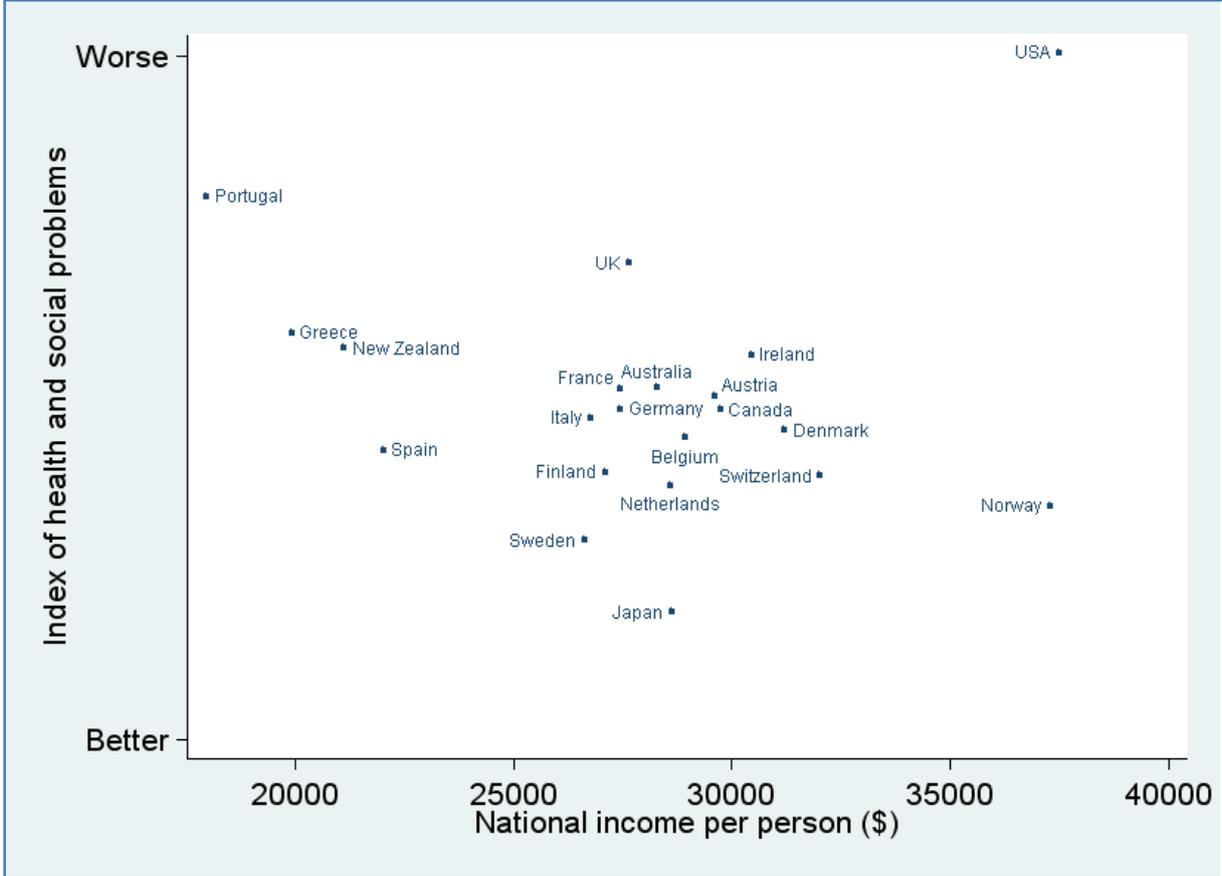
¹³ Bertelsmann Stiftung (2014, March 24) Wer profitiert am stärksten von der Globalisierung? Recommended reading: Executive Summary. Retrieved from http://www.bertelsmann-stiftung.de/cps/rde/xchg/bst/hs.xsl/nachrichten_120603.htm

¹⁴ Contained in the household survey (European Central Bank, 2013)

France, Germany, the UN etc. after the World Financial and Economic crisis in order to examine the options for alternatives to the GDP.¹⁵

How different findings can be illustrates the following example: Wilkinson/Pickett studied social and health problems in relation to inequality in a number of countries, namely life expectancy, math & literacy, infant mortality, homicides, imprisonment, teenage births, trust, obesity, mental illness (incl. drug & alcohol addiction) and social mobility. They made some striking findings: They found out that there is no obvious link between quantity and quality of these problems when looking at the average income of countries:

Graphic 2 Health and Social Problems are not Related to Average Income in Rich Countries

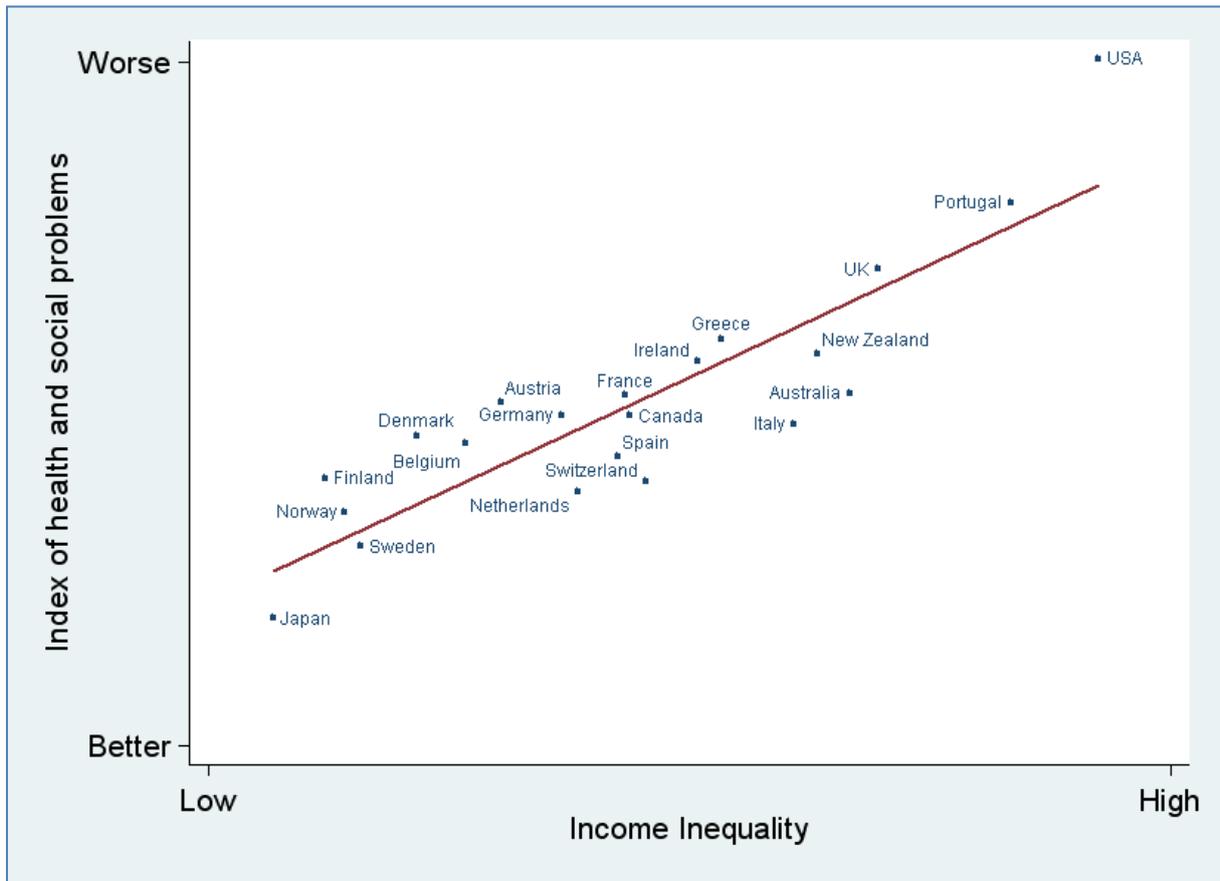


Source 2 (Wilkinson & Pickett, 2009, p. 7)

They found marked differences, however, when looking at the kind and degree of inequality inherent those societies: The more unequal a society is, the more social and health problems there are as well as social and political instability, crime and other issues which should not be in anybody’s interest.

¹⁵ In France, President Sarkozy instituted a presidential commission, in Germany, the federal parliament a so-called Enquete Commission, similar initiatives were taken by the UN Secretary General or in the UK by Prime Minister Cameron. See (Alt & Drempetic, 2012)

Graphic 3 Health and Social Problems are Worse in More Unequal Countries



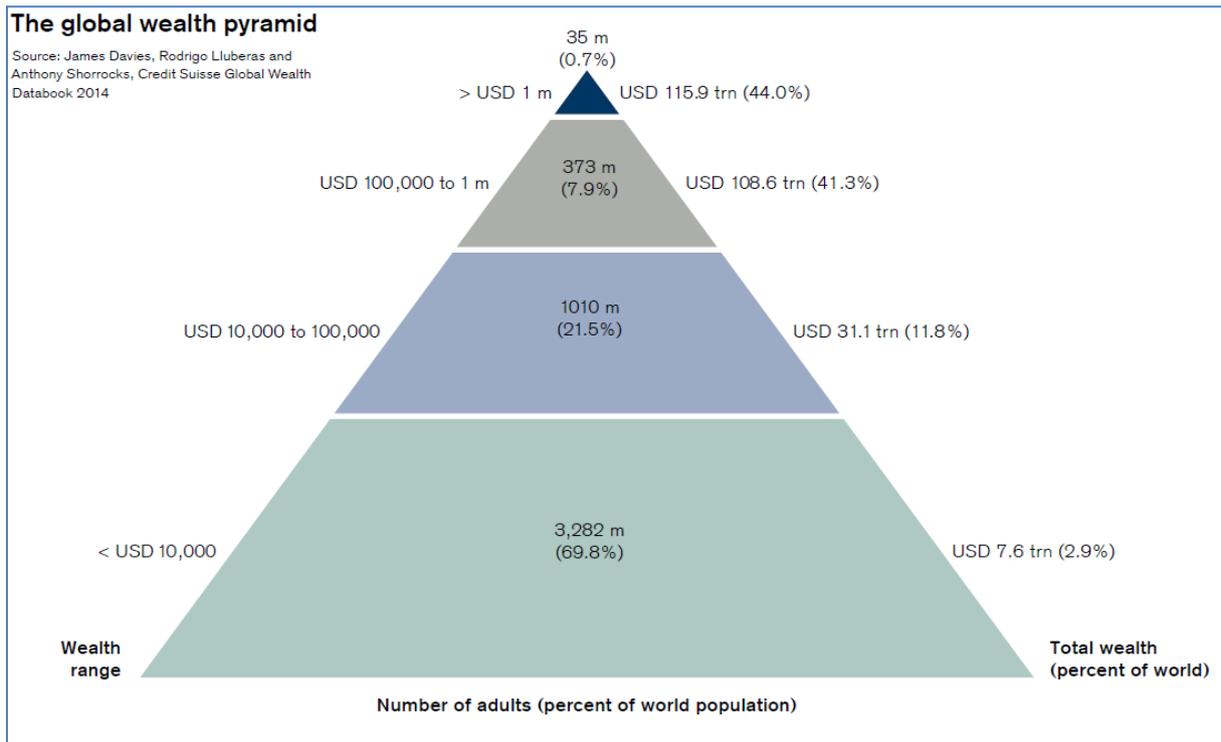
Source 3 (Wilkinson & Pickett, 2009, p. 8)

Obviously, when Wilkinson/Pickett looked at each of those problems individually, the strong correlation between income inequality within a country and the distribution and intensity of those problems held. Which perspective one chooses is not a triviality. In this case, for example, it impacts upon the argument whether (and to what extent) social mobility can exist in unequal societies. Social mobility is one of the very few arguments justifying inequality in countries since the poor are in principle able to move out of poverty into materially better conditions (see I/IV/4.5)

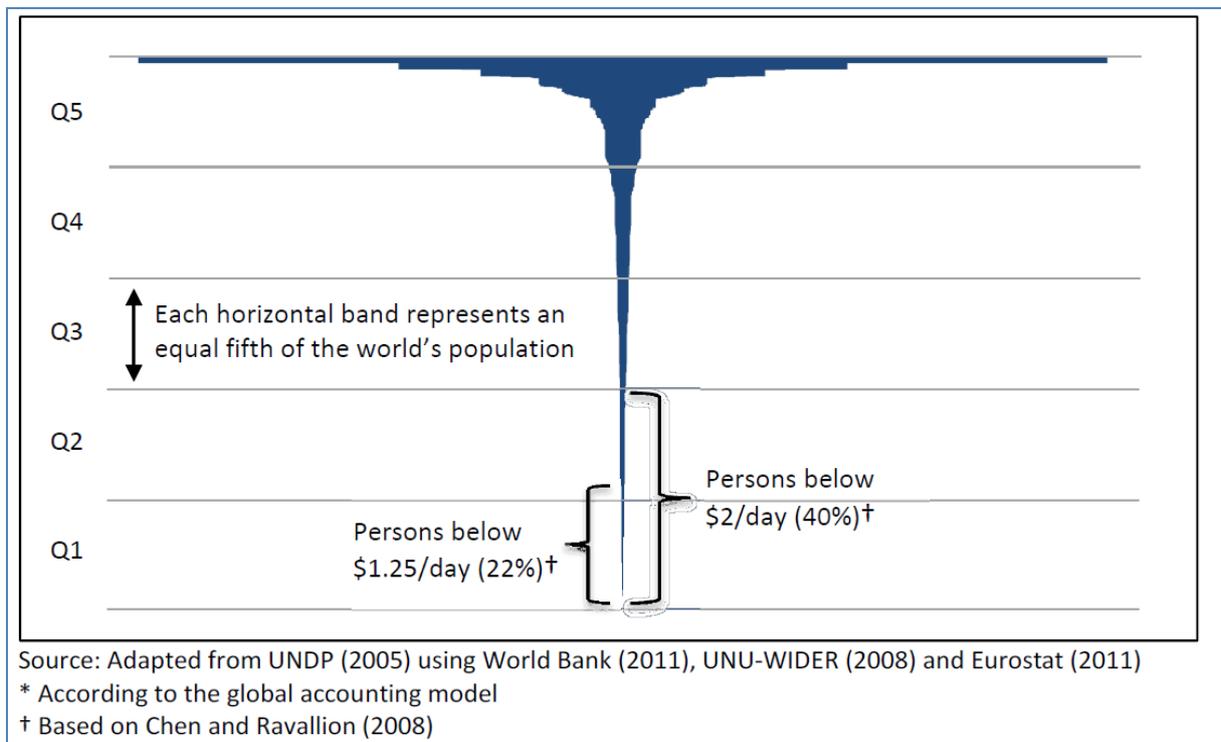
Those difference between the Bertelsmann study and the work of Wilkinson and Pickett lead us to follow those being sceptics regarding synthetic indices such as the Gini, or statements based upon average numbers and rather recommends a more careful look at de facto Distribution Tables looking into centiles of a population rather than deciles, or de facto/real income rather than the income of “groups”.

A final example is the following: the next two graphics demonstrate the same situation: there are many poor people and very few rich people in the world. However, while the first graphic looks rather like something people would expect or familiar with, the second presents a truly alarming situation:

Graphic 4 The Global Wealth Pyramid by (Credit Suisse, 2014)



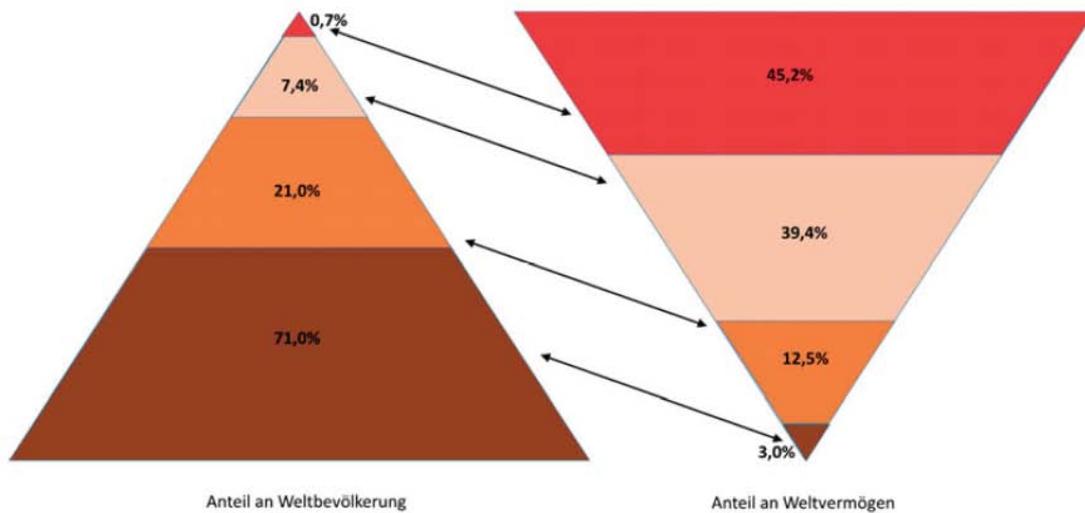
Graphic 5 The "Champagne Glass" by (Ortiz & Cummins, 2011)



Clearly, from our point of view, the choice is not difficult to make. The first graphic clearly assembles too many important sub-categories under the heading “wealth less than US 10,000”. But what do have people in common who live from USD 2 per day (or less) and those who live from USD 10 per day in the same country, counting already as “middle class” (see e.g. I/IV/2.3.2.)? Clearly, from that assumption the UNICEF approach makes more sense.

Concluding, therefore, a combination of both “pyramids” would make most sense, as has been undertaken by the German Federation of Trade Unions:

Abbildung 6 Global distribution of population and their share in wealth



Anm.: Angaben beziehen sich auf erwachsene Bevölkerung.

Quelle: Credit Suisse, Global Wealth Report 2015.

Source 4 (Deutscher Gewerkschaftsbund, 2016a, p. 60)

4 Interviews

4.1 “Experts”, “semi-official” and “informal conversation partners”

The terminology “experts”, “semi-official” and “informal conversation partners” should not be understood in the sense that the first group has a high standard of competence, while the last ranks lower in this kind of expertise. It rather refers to the way information was collected, i.e. that “experts” agreed to be on the record with name and position, independently, whether their expertise originates with a position in public institutions or NGOs. In the case of “semi-official conversation partners”, the interview partner has been assigned to the researcher by an authority or NGO (i.e. professional superiors knew about the contact), but, at the same time, it has been agreed that in the report the identity of the person will be concealed. “Informal conversation partners” are all those to whom the researcher himself gained access without the knowledge of those being in charge at the state tax administration or any other bodies. This group comes closest to what commonly is referred to as “informants”. This might create complex relationships and the need for very careful protection of informants identity: Person A and Person B may both work at the same tax department. But whereas Person A has been assigned to an interview by the head of department, nobody knows that another civil servant of the same department is also in touch with the researcher, volunteering for an interview. It can even be the case that one and the same Person A is once interviewed as an official expert, when he gives the “official line” of his institution, and later on, because he is disgusted with the role he was forced to play, volunteers for an informant-interview which then, of course requires specific precautions when information is used in order to prevent superiors, reading

the research report, deducting from the quote that this information could only be provided by Person A. Since it is important for the reader to know the interviewees background, some relevant professional or departmental information is given in the report, e.g. “semi-official conversation partner from the tax assessment department”, or other governmental institution (police, jurisdiction...), or NGO, academia, media...

4.2 Categories of interviewing

Basically, there are written and oral interviews. Written interviews can be done in the form of letters, which are sent to relevant institutions with the request to answer those questions and add relevant written information, e.g. statistics, guidelines for the application of legal norms etc. Written interviews are normally done in cooperation with the research supervisor or head of department, replies given by the addressee could normally be inserted into the research via quotations. This category of “Questions” and “Answers” is, of course not an interview in the strict sense of the word, but it is more focused towards the particular research interest of this study than just reading and evaluation standard publications available of the same department.

This leads over to the most valuable and most sensitive source of information of this project: oral interviews. As far as this category of interviews are concerned, there were three sub-categories of them:

- Official expert interviews with experts, giving their name and function within public or NGO institutions.
- Informal interviews with people, without giving names and functions.
- (Official or informal) group interviews, where the interviewer was interacting with more than one interviewee.

Interviews could be conducted in person, via telephone or Skype, preferable is, for many reasons (observation of body language, evaluating choice of setting...) an interview between persons. Especially during interviews falling within the two latter categories, tape recording and transcribing was rarely possible. Where it was permitted, it made verification and authorization easy: If a statement from these interviews was to be included into the research report, the quote could be sent to the interviewee and asked for approval. Sadly, interviews of that kind were the exception rather than the rule.

The rule were interviews, where the interviewer was at best permitted to take sketchy written notes which he had to transcribe more fully after the interview was over. This proceeding made the use of material much more difficult and sensitive. However: In case some more verbatim quotes or important summaries arising from those interviews, those passages were sent to the interviewees with the request of proofreading and approving them.

4.3 Character and development of interviews

Interviews done in this research were not focused, but problem centered. According to social research standards, focused interviews are valuable if interviewer and interviewee share a common background (Merton, Fiske, & Kendall, 1990). This has certainly been not the case when the research started, and developed only in parts of the area under investigation during the course of the research.

The interviews were, however, problem centered insofar, that the researcher starts with a certain knowledge and view of research relevant problems at hand and works during the interview to expand his knowledge of these problems with the help of the interviewee. Therefore, in the beginning, when the knowledge of the researcher in the field is rather rudimentary, first interviews contain rather general questions, lacking background for going into depth and technical details. As the research develops and the knowledge of the research field expands, more detailed questions are possible, leading to and eliciting areas of the research field about which the researcher had no idea they even exist when he started his work. In other words: The interviewing is process-orientated and adapts its techniques as the body of knowledge expands – both during an individual interview and during the research as a whole (Witzel, 2000)!

Interviews were not open or structured, but semi-structured. A totally open interview, which totally relies upon the situation and that which interviewer and interviewee would treat in that moment, contains the risk that there is no time to address specific research interests. A totally structured interview, on the other hand, where the researcher alone determines the conversation would inhibit the opportunity of the interviewee to contribute important aspects and perspectives from his point of expertise, thus widening the horizon of the researcher. A semi-structured interview combines both guiding research interests and leading questions, but, at the same time, includes opportunities for the interviewee to enter facts, perspectives and evaluations which s/he thinks is relevant for the researcher to know and understand.

Ahead of each problem centered interview, therefore, each researcher develops a basic questionnaire containing his main points of interests and research relevant lead questions. It is then up to the setting of the interview in what sequence those issues could be raised while the challenge was to have all questions entered at any point of time during the interview. At the same time it could be that a question by the researcher sparked off some valuable new branch of interest and discussion which then would require priority attention and would be followed up first, while the original and still existing interest would need to be kept in the back of everybody's mind. In exceptional cases, however, spontaneous provided information by the interviewee made prepared questions irrelevant, which is why they then could be skipped.

Another very important source of information both when doing official and informal interviews were elements of "ethnographic interviewing" which refers to data collection outside an explicit interview situation (Spradly, 1979). This can happen first of all, if the interviewee refuses any means of recording, i.e. even taking notes. Beyond that, however, research relevant information can also be gathered ahead of the interview, e.g. when meeting with a person to arrange for an interview, or after the interview, when the tape is switched off and the notebook has been closed: It is then when perhaps the interviewee comments on what he said or adds information, assessment or opinions which he did not during the interview. Obviously, using these kinds of information requires much more care than all other categories of data previously.

4.4 Role of the interviewer and his questions

4.4.1 Neutral vs. suggestive questions

On the whole, the interview situation requires a high sensitivity on part of the interviewer towards the interviewee: On the one hand he has to make sure that the interviewee provides research relevant information which is more detailed than that which is publicly known and accessible. On the other hand he needs to make the interviewee feels comfortable and respected enough to induce him to be both truthful and open as well as willing to provide this “extra” amount of information which goes beyond that which is publicly known and accessible. This resembles, at times, a dance on a tightrope.

In order to secure as much ‘objectivity’ in interviews and research development as possible, the interviewer needs to pay attention that his questions are not guiding or even suggestive, but as neutral as possible. Only if questions are neutral, the interviewee is challenged to provide his expert knowledge from his expert point of view. If the questions are guiding or even suggestive-provocative, there is a high risk that the knowledge of the interviewer determines the presentation of data and the course of the interview rather than the expert knowledge of the interviewee. In this case, information provided would be “bent” already by the researcher’s way of asking.

Later and at an advanced stage, when, e.g., following the approach of building a “grounded theory” and political and economical interests underlying the administration of law or policy implications are verified, the researcher might use different approaches which have no place during the first round of data collection. At that later stage, for example, suggestions or provocations can be a good means to tempt interviewees to statements or defenses which s/he would not have done under neutral interview conditions.

4.4.2 The need of clarity

If the interviewee indicates important information but does not divulge it, asking back is important for the sake of clarity. This should, however, be done as careful as possible so that the interviewee does not make up more than there is to the truth.

Admissible are questions of understanding, e.g. the interviewer might ask whether he understand or interprets information correctly. In this case he needs to indicate clearly that he reflects and feeds back NOT his own personal view but his understanding/interpretation of information provided by the informant at a previous stage, which then can be commented upon or clarified.

Similarly helpful are, towards the end of the interview, summarizing important results of the interview by the interviewer and asking for an explicit confirmation of the interviewee.

4.4.3 Moments of heightened sensitivity

There are potentially two very sensitive moments in any interview:

- First of all, if the interviewee goes around circles in what he is saying, avoids eye contact, becomes expletive, perhaps even stammers or starts sweating: Clearly, something important is at hand, but the interviewee is not prepared to talk about it. In

this situation the interviewer must not push the issue. It is better to go on with another question and return to the abandoned area at a later point of time, when the person is feeling more comfortable again.

- Secondly, there is always the danger that an interviewee's personal experience "colours" his presentation more than it befits the truth. For example – and this is quite frequent – if a civil servant is frustrated by changes in his workload or work methods he tends to present not just his personal situation, but the situation of tax administration as such in very dark colours. Here it is the task of the interviewer to distinguish between the "personal" and filter out the "typical". It may well be, for example, that computerization introduced into tax administration is particularly hard for employees of a certain age who cannot cope with the new techniques and therefore resent it. It may also be, however, that the software operating on those computers for processing tax declarations really has snags and snitches which endanger equal and fair taxation. In this case resentment might reflect indeed a typical and serious deficit in tax administration.

4.5 Situational aspects

Given the secretiveness and sensitivity of the research area, especially at the first interview time needs to be spent to explain to the interviewee the research interest and the precautions being taken for the protection of data and its source, i.e. the interviewee. For that reason, a certain amount of time needs to be spent to make the interviewee feel secure, respected and protected so that he relaxes and opens up for the questions coming later. In other words: Even if 15 minutes of an agreed 60 minutes interview time is spent on these circumstantial and situational elements it is time well invested. If the interviewee catches interest and trusts in the guarantees given by the researcher, the interviewee might forget about the agreed time in the first place and carries on even after the agreed time has lapsed, follow-up meetings are possible which then do not require equal investments in the opening of the talk, or further information is offered which had not been offered if this investment into the atmosphere of the talk had not been given ahead.

Clearly, a quiet room and protection from other people in the situation of overhearing that which is said is key for a good interview. On the other hand, the desire of informants to meet in a public place calls for careful preparation of remaining options on part of the interviewer, e.g. if a restaurant is called for to look for a semi-protected booth where as much seclusion as possible can be secured etc.

4.6 Individual interviews vs. group interviews

Individual interviews and group interviews have its respective advantages and disadvantages: In an individual setting, the interviewer is largely in control of the course of the interview and can implement a textbook approach, while in a group situation comments and additions by others can turn the best plan and structure on part of the interviewer upside down. This disadvantage is, however, at the same time the biggest asset of a group situation: Other people present can comment and react to information provided by the speaker, which offers important clues to the interviewer about the validity and plausibility of the statement just presented. A lot depends, of course, on the relationship between the persons present in a

group: Is the relationship hierarchical, i.e. subject and superior, much more caution needs to be expected in the data offered on part of the subordinated person. If the relationship is one of colleagues, partners and friends, the likely exploit of such a meeting is higher than in an individual setting since here people tend to confirm, correct and add information in a very constructive way, giving the interviewer not just a surplus in information, but also important criteria and indicators of verification.

4.7 Data processing after interviewing

In qualitative research, the data processing immediately after the interview is finished is as important as the interview itself. If the interview was recorded, a literal transcription is recommended. If the interviewee only permitted taking notes, it is essential to transcribe those notes into a coherent text as soon as possible, because memory might still be fresh and might add issues as one goes along in the transcription process. An immediate transcription is even more important, if the interviewee did not even permit taking notes, and all the researcher has for organizing his results are his questions and areas of interest which made him seek this interview contact in the first place.

Equally important is a first evaluation of the data and information given in order to see where it overlaps with other information and where it diverges. Important guiding questions for the researcher are:

- What of my previous knowledge has been confirmed?
- What was new?
- What is confirming information by other informants?
- What is in need for confirmation by researching literature or internet?
- What clues are there which I can follow up by researching literature or internet, thus adding new knowledge which I would not have without this interview?
- What is in need for confirmation in future interviews either with this or other persons?
- What is of such an importance that it should be included in all future interviews of other people?
- Etc.

Answers to these questions in an evaluation chapter added to the transcription indicate to the researcher how one's own body of knowledge develops and/or in what direction it needs to be developed. Taking down notes on those questions provides important clues and guidelines for future interviews and future reading.

It is also helpful to do an evaluation of the process leading to the interview and the interview itself including farewell rituals: It helps to determine the "atmosphere", indications where personal sensitivities might have "coloured" information and offers clues whether a new approach or interview is possible or even required.

5 Finding and approaching interview partner

Two approaches were used in this research to select and approach interview partner: One official, the second personal/informal.

On the official level, each researcher and institution wrote letters with the request of support to relevant institutions in the field, most importantly tax authorities, academic and NGO institutions known to be knowledgeable and active in the field. If those approached agreed to support the research, as initially in the case of Germany, official contact persons were appointed which facilitated the further cooperation by, e.g. organizing written information or putting people into touch.

Another approach was organized and pursued on the personal/informal level: Each of the researcher and the research hosting institutions had already professional contacts into the research relevant area. This was mainly due to preceding academic studies and/or professional dealings of the individual or institutions. Those contacts were informed about the research project, assured confidentiality and then asked to give advice and assist in establishing contacts. That way, key-people in the research relevant areas could be identified and in many cases also assistance could be secured to get in touch with those people.

There are also mixed strategies: In some cases people first approach on an official level got engaged themselves into the study and turned into an informal supporter, doing much more than would have been expected and required from them due to the official terms of contact. For example, they provided more advice and mediated more contacts so that a snowball-effect occurred. In those cases, especially if those supporters were working as civil servants, an extra amount of protection was required as to prevent others from identifying them.

Besides personal and institutional contacts of the researchers and their host institution, also NGOs and academic experts working together with them in other areas were very happy to assist with their expertise and shared both written information and personal contacts.

Finally: There was great interest in the research undertaken even on part of experts and NGOs with which researchers and host institutions had no professional contacts before. This was mainly due to the fact that they agreed that the research project examines and addresses important justice issues and that the church should get involved in this work.

6 Protection of data and sources

Priority in the processing and publication of data is the protection of its sources because the key areas of data collection for this research project are being built around talks with informants whose trust needs to be protected. Especially when obtaining knowledge of illicit, illegal or even criminal practices it needs to be borne in mind that this research project is primarily devoted to the collection and provision of knowledge, not legal prosecution. In some (Anglo Saxon) countries, there is debate about conflicts arising here.¹⁶

¹⁶ For example in the United Kingdom Lowman, J. (2013, April 10) The Betrayal of Research Confidentiality in British Sociology. In: *Sage Journals – Research Ethics*. Retrieved from <http://rea.sagepub.com/content/early/2013/03/11/1747016113481145>. For example in the USA: Palys, T., & Lowman, J. (2012, November 11) Defending Research Confidentiality “To the Extent the Law Allows:” Lessons from the Boston Colleges Subpoenas. In: *Journal of Academic Ethics*. Retrieved from <http://www.sfu.ca/~palys/Palys&Lowman-JAE2012-ToTheExtentThatLawAllows.pdf>

However, in our national contexts confidentiality towards sources is protected and safeguarded not only by the freedom of research and science, but the work ethics of a church based institution which is governed by its own set of norms regarding canon law and, deriving from canon law and respective national provisions, data protection regulations. Each institution is happy to give a detailed account about its relevant situation.

Information published in this research therefore does not only conceal name and position of sources, but is also undertaking great efforts to the effect that no reader could deduct from the information provided the sources where this information is coming from.

To the extent needed and justified, the identity of sources was not even revealed to superiors and colleagues of the respective research hosting institution, but known to the researcher alone. The researcher was also the only person knowing where personal (contact) data relating to informants was stored.

In case a person leaves the project, the anonymized (!) data still belongs to the employing institution who is in charge of the project. However: the institution is not entitled to learn name, professional details and contact data of those persons with whom the leaving researcher had an interview because of personal acquaintance, e.g. from an earlier, shared professional background. In case the succeeding researcher finds something in the anonymized notes which requires clarification or deepening or if he finds that this person might also be an interesting conversation partner for him, he is only entitled to approach the previous researcher with the request to ask the source whether it is willing to contact his successor. If the answer is “No” it has to be respected.

7 Other instruments of data collection

Other instruments and means of data collection in accordance with qualitative standards of social science research in sensitive areas used for the Tax Justice and Poverty research are, for example.

- Participating observation: In an interview setting it might provide additional information to watch the meeting room, especially if it is the office of a person: E.g. what documents are lying around, how do colleagues interact etc. It might be worthwhile to pay attention to details, even to business cards of other contacts lying around. Equally, the body language of the interviewee or – if there are several persons – interviewees can provide clues about the quality of an interview. In all this, separate notes are recommended.
- To be in touch with the interviewee over a long period of time, demonstrating the course of research and continuing interest in information, comments or views. This might lead to changes in the attitude of the interviewee and the relationship between interviewee and interviewer and provides clues in assessing the quality of the persons' information.
- A similar function has a research diary, which is recommended especially if contacts to certain institutions or persons occur over a longer period of time. Sometimes shifts

in emphasis are important to see whether a relationship develops in ones favor or towards ones disadvantage.

- Surveys combining quantitative and qualitative elements: The German and Zambian studies offered questionnaires to experts and non-experts to gather some views on tax justice and poverty issues.¹⁷ The questionnaires contain both multiple choice elements and open ended questions. The first requiring ticking or deleting options, the latter prompting for answers in writing which later have been coded and sorted by the researcher. Regarding the sample composition of the two surveys please look for closer descriptions at the Zambian and German methodological chapter in their respective introduction to the country reports.
- Conferences/Workshops/Meetings: Finally, the course of the research projects was interspersed with larger or smaller meetings with scholars and experts to bounce ideas and check upon findings and standards so that a constant process of evaluation was going on, keeping the project focused and on track and prevent researcher to waste energy in pursuing dead ends.
- This includes frequent peer review of draft chapters either via Mail/Skype or at biannual meetings, which assisted the respective researcher to detect loopholes and shortcomings in ones argument so that further and more focused corroboration could be aimed for.

8 Validation and Verification

Since a crucial source of information in this research project were “semi-official” and/or “informal informants” there is a particular challenge to validate their information and see whether it is close to “intersubjective” or even satisfies some standards of “objective” truth; or whether it is merely a singular personal opinion.

8.1 Methodological Triangulation

A very probate instrument of checking plausibility is “methodological triangulation”:¹⁸ It combines and compares statements taken from different categories of information and different methods of information gathering. The value of a piece given piece of information is particularly good if, e.g., communication by an informal informant can be confirmed by data published in academic research as well as an article written by an investigative journalist. The problem is that information verifiable that good is rather well known already and neither new nor exciting. The really interesting bits are not open for this kind of a clean cross-categorical triangulation since they are revealing well guarded secrets. Here, other ways of triangulation are aimed for, e.g.:

- Interesting information provided by civil servant A could be confirmed by a leaked document from department B and/or information obtained by experts working in a

¹⁷ Both questionnaires are accessible at www.taxjustice-and-poverty.org

¹⁸See (Creswell, 2009) and (Denzin, 2006)

certain NGO, by retired civil servants working in the field, by former civil servants having worked in that department but changed their job.....¹⁹

- In an ongoing interview it might be good to come back to an interesting point provided at an earlier moment with the intention to see whether the currently presented version is identical or diverging from the former version. A variation of this criterion is to talk to the person several times over an extended stretched period of time to check consistency and inconsistency in the presentation.
- Look for confirmation in literature and all sorts of publications. Here also publication by whistleblower are an important element, because, for example, without the leaks of Edward Snowden spying of the NSA, or without leaks of certain taxpayers CDs the extent of tax evasion would have never been known to that extent. Corroborating evidence by published information, even if not on identical, but similar cases, would indicate at least that the information gained by the own interview is not implausible since there are parallel cases.
- Hand over sections ahead of publication to experts or informants, asking them for proof-reading, commenting and an assessment of the plausibility of statements contained.
- Assess the credibility of the informant by asking yourself: “Why is he giving you this information?” If the person is angry or likely to gain something personally from this leak treat it with care (it might still be right!). But if the person is honest, perhaps known to the researcher personally and the researcher trusts it: The information perhaps stands on weak ground but the researcher might find it justifiable to use it.

In this category of research the following rule of thumb applies: “Less may be more!” This means that if qualitative research done in secretive and sensitive areas it is not necessarily the quantitative amount of different experts and informants which is a criterion for plausibility. Rather, it is the number of meetings with individual promising sources which increases the chances to obtain new, better, more reliable data since people are opening up in the process and are getting more trustful. That way, the researcher receives more substantive criteria, but also more differentiating details to already existing substantive criteria of validation and verification which in turn assists him even more to better assess the quality of data at hand and arrange it for his presentation in the research report.

8.2 Dealing with different perspectives & cluster-information

Clearly, interviewees assigned to the researchers by public authorities in response to the preceding official request of assistance for the purpose of this research project offer a different perspective on issues under examination than informants who talk openly to the researcher without the knowledge of his superiors. The same applies to differences whether a person is working “in the field” or is, as superior, in charge of a large administrative entity, whether somebody is part of a trade union or not, whether somebody works in tax administration or public prosecution on one and the same case of tax evasion etc.

¹⁹ A special problem arises if the leaked document is of confidential character and cannot be quoted, as was the case in the German study when tax fraud investigators provided a guideline on how to identify and investigate suspicions of money laundering.

Similar, but a problem of its own, is “sectoral bias”, meaning, that each conversation partner talks from the background of his experience and perspective and is for that reason not capable to really see and understand somebody else’s point of view. This, for example, was evident when it comes to the role of computerization and IT in tax administration. The situation is made worse since, depending on the degree of conviction on part of the interviewee, they try to present their view of things in a more rosy way than justified in order to convince the researcher of their perspective, i.e. to infect the researchers objectivity with their bias. Accordingly, differences in the presentation and assessment of one and the same issue given by both sides at times vary as much that one could doubt that the one and same set of legal and administrative norms, practices or resources is under examination. Ideally, a person first assigned as official interview partner later re-thinks that what he said, feeling the obligation to correct some of his earlier statements for a variety of reasons and who subsequently calls or meets the researcher and comments on that which he has said. That way, he is offering clues on how to bridge the gap between those two worlds. Such a case, alas, is rather rare. More often and more importantly, other criteria have to be applied.

Next the problem, that information surrounding one area of tax administration (e.g. Assessment) is very detailed and coherent, while statements from sources working in another department (e.g. turnover fraud investigation) is scarce and incoherent. Ideally, here research evolves in concentric circles, so that after a while, and hopefully several contacts knowledge also of related areas can be collected. If this situation does not happen, there are two ways of continuing, the first being: Once the researcher concludes that adequate knowledge has been collected in one area, he abandons it and focuses specifically and exclusively on options to gain access in new areas of interest. The second solution is to stick to the rule “less is more” and make use as good as possible of gained access and leave other areas of interest to other researchers who might have more luck.

8.3 Plausibility through intersubjectivity and overlapping convergence

Given the patchy amount of data obtainable by three part time researchers over a time span of two years only it is problematic to assert “true findings” or “true statements”. At best, information can be checked for a larger or smaller degree of plausibility. And here, “overlapping” and “convergence” of information are indicators of approaching an increasing level of plausibility: If statements overlap in a contested area or at least converge towards a non-contradicting position. The degree of plausibility increases the more information originates in different perspectives (e.g. field worker – superior) or different departments (tax administration – prosecution). Equally, plausibility increases if there is overlapping between different categories of information (e.g. interviews – literature). This is not a very ambitious standard of verification but rather pragmatic.²⁰ It is, however, appropriate and adequate given the difficulties inherent to the research topic and research environment. Accordingly, some issues can be stated with a higher degree of plausibility than others, as will be detailed later at the relevant positions in the research report, e.g. the country or synthesis reports or chapters dealing with In-Depth issues.

²⁰ More information: http://en.wikipedia.org/wiki/Pragmatic_theory_of_truth. See also Rawls’ (1999) treatment of “overlapping consensus” or Sen’s (2012) approach to the idea of justice, both placed within a pluralist environment.

8.4 Treatment of diverging information

Given the singular access of information of some informants and “Whistleblower”, there remain important and interesting pieces of information which cannot adequately verified by established or even adapted means and methods of triangulation. At the same time, there might be very good reasons to support its value and plausibility, e.g., due to the position or character of the informant. If, in this case, the information is still included in the research report, its singularity is clearly stated and verification is left up to the discussion following the publication of the report. If the researcher comes to the conclusion that this information is not suited for inclusion in the written report, it might still be quoted and used orally after publication, e.g. in expert or public discussions.

9 Grounded theory?

On that background, the question can be asked whether/to what extent this research project satisfies standards of “grounded theory”, i.e. ‘a systematic methodology in the social sciences involving the discovery of theory through the analysis of data.’²¹ Certainly not as a whole, since the main part of the research is simply fact finding and describing the interaction of laws and administrations, the behavior of private and corporate actors, of civil servants and other professional groups. There are, however, parts in this research where the characteristics and methods of grounded theory apply. For example, when trying to explain why tax laws are more lenient towards some rather than others, why existing laws are administered that way rather than others, or why states are unwilling or unable to close known gaps in tax laws or to close down tax havens. Those “facts” are interpreted very different by various stakeholders. Wherever this research undertakes to develop an own position on those or similar topics, developing and providing own reasons for supporting its position, it is indeed being done by means and with the instruments of “grounded theory”, some of which have been presented in this chapter.

Admittedly, a rather unbalanced, “cluster”-kind body of knowledge is a disadvantage of qualitative research in secretive milieus. And clearly, there is hardly any “representativeness” regarding our findings. Problems in defining positions and statements also arise since in all three participating countries this kind of study (i.e. approaching and interviewing practitioners by guaranteeing confidentiality and anonymity) have been pioneering work, i.e. there were no precedents which could provide guidance.

At the same time, you have to work with what you have: If important documentation, e.g. arising from audit planning and conducting, is inaccessible to outside researcher, the second best is to interview those people doing those audits. And, of course, the collection of “facts” is limited, and yet findings reveal “de facto” motivations and criteria according to which authorities implement and execute laws. Hence, we conclude, that what we can contribute is perhaps not satisfying widespread standards, but it is a progress and provides new/additional information which does have some value.

²¹ Definition taken from Wikipedia, see http://en.wikipedia.org/wiki/Grounded_theory. See also (Glaser & Strauss, 2012)

In other words: as long as there is no willingness on part of tax administration to participate widely in comprehensive “state-of-the-art” academic research, enabling the thorough interviewing of representative samples, such deficits are unavoidable. And: As long as secretiveness in this field exist, any knowledge is better than the continuation of no-knowledge or only filtered knowledge by PR and Media professionals. On that background, qualitative research sheds at least some light into the “Black Box” of tax administration and is happy to be qualified, amended, complemented and varied to the extent that better grounded views emerge.

Finally, there were clear limits of what could be done due to the scarceness of resources for this research (part time researchers for a limited period of time in a research area of highest complexity). Under such constraints it is impossible to unearth all relevant questions and answer them satisfactorily. The original insights provided by this research due to the access to and interviewing of civil servants also enables to get certain problems clearer into view, suggesting them for research by teams who are better equipped to follow up those leads.

10 Scope and focusing of the research

10.1 Developing research and the role of half year meetings

As frequently the case with complex qualitative research, things developed and changed focus as the project goes along. This is mainly because interview partner, on the background of their expertise, emphasize topics which were not in view when the project was discussed and devised by the researcher. If this happens, it needs to be discussed and decided whether the information is important enough to shift the research focus, i.e. to neglect some areas previously thought to be important and to go into other areas more intensively which arose in those contexts.

Especially the bi-annual meetings of the research team were important to identify difficult areas (e.g. because of the lack of accessible information), redundant topics (e.g. because others were already working on it competently) or those areas previously not considered. For those and other reasons, some areas were discarded from the research right from the outset, others were added. Some examples:

10.2 Changes and modifications regarding In-Depth-Topics

As can be seen from the attachments 1+2 to the original research Project Concept the project as a whole aimed first of all for three country reports, detailing the lead problems of the research, an illustration of relevant developments within national legislation and problems in the administration and enforcement of those laws. Beyond that, three In-Depth focus topics were intended, but not spelled out in the original Project Concept. Eventually it was decided to deal with private wealth (lead agency Germany), the informal economy (lead agency Zambia) and bribery & corruption (lead agency Kenya). After some work it turned out, that those In-Depth Topics were not achievable for all three countries.

Regarding private wealth, the African colleagues soon found out that they have no adequate access to data and therefore were not able to deal with the topic adequately. At the same time,

the German study had plenty of data and therefore concluded to move ahead as good as possible, paying attention that at least some findings and strands of arguments might be of use for Kenya and Zambia.

Regarding problems of the informal economy and related taxation problems it also was obvious right from the outset that the situation of the informal economy in Kenya and Zambia cannot be compared with the problems arising from the shadow economy and black labour (Schattenwirtschaft, Schwarzarbeit) in Germany. Here the African partners decided to coordinate their research among themselves, while the German partner reduced work on that topic since here exists already a number of good research which could not possibly be surpassed by this research.

Finally, the in-depth topic of corruption: This aspect was soon abandoned altogether for two main reasons: the African partners realized that they might get into serious trouble in their own country, when hearing what happened, for example, to researchers participating in the study “Sweet Nothings”, examining shady tax deals of Zambian Sugar and its tax saving behaviour. They did not see that they were able to cope with that both privately and institutionally. At the same time and for Germany, outright bribery and corruption in tax related matters is no problem, whereas here rather indirect ways to exercise influence via elite networks or lobbyism should be studied.

Towards the end of the project the emerging concept of Illicit Financial Flows came to the attention of the research and it was decided to spend some work on that topic.

10.3 Excluded areas for research

10.3.1 Tax collection and tax spending

Institutions as different as the IMF and the Catholic Church agree that both tax collection and tax spending needs to be examined together when discussing about tax justice and fairness.²² This makes sense: The willingness to contribute for the common good is much higher if those being asked to contribute know for what objectives and purposes their money is being used.

Also in this research project on Tax Justice & Poverty, therefore, three areas of validation and verification *should* be of importance to determine the fairness and justice of taxation systems in any given society and its adequacy for reducing poverty:

1. Does everybody contribute to the common good/commonwealth according to his/her abilities?
2. Can it be established, due to a redistributive effect, that wealth gap and governmental dependency stop growing (or even diminish) and that therefore poverty both now and of future generations is *prima facie* reduced?

²² ‘The overall fairness of the fiscal system should be assessed in terms of taxes and spending combined, and most redistribution takes place through the latter’ (International Monetary Fund, 2013, Fiscal Monitor, p. 34). In the same manner, CST argues: ‘Tax revenues and public spending take on crucial economic importance for every civil and political community.... Public spending is directed to the common good when certain fundamental principles are observed: the payment of taxes [739] as part of the duty of solidarity; a reasonable and fair application of taxes;[740] precision and integrity in administering and distributing public resources.[741]’ (Pontifical Council for Justice & Peace, 2005)

3. Are public policies and programs, on which tax revenue are spent, indeed the best possible way to reduce poverty? Or are other approaches, e.g. based on charity, better?

The researchers are aware of this link between tax collecting and revenue spending right from beginning, but also state in the research concept their inability to deal with both aspects equally diligent:

It is not enough to collect more money. This study is also concerned about how best the money is spent so that poverty is reduced. ... On the other hand ... the researchers will not be able to deal with this aspect adequately. ... We are confident that these problems are adequately covered by all those organisations and institutions researching and publishing in the area of good governance. We will bring our research results to their attention and ask them to incorporate our results into their work. Resources permitting, we are happy to cooperate with those organisations and institutions from then on. (Tax Justice & Poverty, 2013a, p. 8)

For that reason, the core research team will focus its efforts on the question whether the systems of tax collection in Germany, Kenya and Zambia can be called proportionate and fair, i.e. most importantly, whether poor and rich are taxed equally, adequately, proportionally and fair in relation to their ability to pay taxes. As to the utilization and spending of tax revenue, the researchers will attempt the following:

- They will try to prove the hypothesis: As long as the present system of taxes and redistribution continues to favour those who are wealthy or otherwise privileged anyhow, the wealth gap will continue to grow and no improvement in the situation of the poor can be expected – the latter simply because the tax burden of the poor cannot be relieved and/or fewer taxes as potentially possible will be raised which will affect spending benefitting the public at large and the poor in particular.
- They will try to prove the hypothesis: If the public debts/governmental dependency from external finance remains high or even increases, the situation of the poor remains miserable or even deteriorates further as tax revenue spending will remain high on debt servicing.
- Finally and ideally: If resources allow it, exemplary areas of redistribution and/or poverty reducing policies and programs in Germany, Kenya and Zambia will be examined and, if possible and meaningful, be compared.

10.3.2 Governance issues

Equally, the researchers are aware of the importance of governance issues impacting both upon tax collection and tax spending. In their research project they state, for example, ‘It is not in the interest of this study that the money is spent – for example – to fuel more corruption or that programs are funded which are of no use to alleviating national or global poverty. This brings in the question of good governance.’ (ibid.)

But here, too, are not adequate capacities to deal with governance issues in a thorough manner. The core research will therefore have to focus on governance issues only insofar they are relevant for tax administration and collection and/or the enforcement of tax law. Wider issues of government or democratic control are neglected.

10.3.3 Neglect of corporate taxation

In the course of the research it has been noted that already a sufficiently large number of research is done in the field of Corporations: Not only did Offshore Leaks and Luxembourg Leaks shed light in this shady area, also a NGOs such as the Tax Justice Network, Action Aid and others are investigating and publishing here. One exception has been selected, however: The company of Ferrostaal, which so far is not well researched and who is active both in Germany and Zambia.

Further focusing will be required in the individual country studies, especially the one about Germany, which will be explained in the respective introduction.

10.4 Added areas for research

10.4.1 Ethical reflection and Catholic Social Teaching

Since this research is taking place on the foundation of Catholic Social Teaching, there is need to compile and elaborate arguments and priorities based upon an explicit and specific ethical reflection, by making transparent underlying values and value judgments.

Originally it has been thought that resources of the core research team were too limited to do this in an adequate manner.

The researchers will, therefore, approach institutions and departments dealing with ethical questions, trying to get them interested in ethical problems arising from this study. First of all, this will be Jesuit Institutions.... But since we want to reach out also to institutions and people without an explicit faith background, also departments outside the Christian tradition will be approached who deal with ethical questions within their own field of expertise, such as public administration, political science, finance, economics etc. (ibid.)

In the course of the research it has been noted, however, that hardly anybody is willing and able to contribute something of substance in this field. Therefore it has been decided that at least some work needs to be done by the direct participants of this study.

10.4.2 Alternatives to taxation

Since the main goal of this research is the combating of inequality and poverty, it was relatively soon apparent that there may be better alternatives to tax based redistribution. Here, two areas emerged, demanding attention: First, reforms addressing the present working of national and international markets, second, other forms of engagement against inequality and poverty, which are based upon individual or corporate initiative, e.g. Corporate Responsible Investment, Corporate Social Responsibility or individual donations or foundations. Those alternatives were also backed by Catholic Social Teaching.

10.4.3 Illicit financial flows

Areas previously not considered to be of major importance were illicit financial flows. As umbrella category it was found that it merits some more extensive treatment since it comprises all sorts of financial flows between Africa and Europe which, in the end, do damage to the countries of origin and benefit somehow the countries of destination. Given the “fuzziness” of the term, the emphasis here was set differently in the three country studies.

10.4.4 Governance issues

Issues earlier discarded also returned partly back into the research focus, for example governance issues, as far as the tax collecting institutions are concerned. It became clear that a major issue for successful domestic resource mobilization for poor countries is the support of their administrations, e.g. provided by developed countries. However, it also became clear that this kind of cooperation has important caveats. For example: There is little use of having an efficient tax administrations if the rules according to which tax collection is regulated is primarily determined by developed countries. Or: it is important that civil servants “on loan” in poor countries are able to do their jobs without obstruction. At the same time, there are reports of their work being obstructed by the host government and, even worse, by institutions of their own home governments. The latter is due because, for example, the Ministry of the Interior or the Foreign Office have different interests and different lobbies putting pressure upon them.

11 Publication of research results

11.1 Formatting standards

The researcher agreed to follow as widely as possible the standards developed by the American Psychological Association and published in their “Publication Manual”, 6th edition (2010). Some of those formatting standards are also available in standard versions of Microsoft Word. However, some of APAs standards require specific software, e.g. for tables and graphics. Here, the participating institutions in this research lack the relevant funds to acquire those. For that reason, some of the standards available with MS Word are used instead, e.g. for diagrams, graphics and tables.

11.2 Short, simple and technical versions

A complex study like this with involving complex technical dimensions and areas full of secrecy and informality as well as a number of part time and voluntary cooperators necessitates a broad range of ways to make its findings available.

As to the core study, done by the main researcher from the Jesuitenmission, the Jesuit Hakimani Centre and Jesuit Centre of Theological reflection, there will be for major chapters exceeding 50 pages in length three documents available:

1. A brief short version/abstract
2. A simplified version, easily readable for a generally interested public, containing selected graphics, tables and quotes.
3. A technical version with more elaborated backup and data such as quotes, citations, cross-references, footnotes etc.

Since publications will aim to inform and educate also non-experts, a major effort has been undertaken to collect graphics, diagrams and tables, which make complex information much easier accessible.

Besides the core study, a number of contributions were elaborated and provided by volunteers, interns and other persons interested in the topic. Since they will not be paid for their efforts, they are accorded great freedom in how they do their work and publication

11.3 Publications by third parties

Finally, there will be publications by workshops and conferences organized for discussing and clarifying complex issues, e.g. the workshop on taxation issues arising from private wealth which will be conducted in Germany in May 2015.

Which of those produced document will be printed in forms of books, booklets and leaflets will only be decided towards the end of 2015.

Whatever is not printed, however, and does not violate confidentiality and data protection issues will be made accessible on the projects website www.taxjustice-and-poverty.org.

12 The problem of updates and updating

A major problem of this research is the fast development and many publications in all areas relevant for this research: wealth gap, governmental dependency, taxation etc. If one major document or reflection has been analyzed and incorporated in the body of text another organization publishes something related; once this has been evaluated, the first organization publishes an corrected or amended update with extended data basis and/or additional reflection or has to withdraw something published earlier because of legal intervention of accused parties etc.

Here, first of all, the authors try to be as transparent about their selection of sources and the version they use before starting to write the relevant chapter. The authors of respective chapters will explain the rationale for their selection in methodological chapters preceding the proper presentation and discussion.

As long as the research is not finalized, we recommend that if anybody quotes from or refers to our papers s/he should mention the version to which it links. Because as long as the research is not finalized, new chapters, topics or sources can come up and need consideration.

The authors will further try to provide links to websites, where updates are published so that, if it is not possible to incorporate data in this research, the reader is referred to updates and can inform him-/herself.

13 Important note

This chapter only treated methodological aspects common to all three country studies. Clearly, there are specifics guiding the research in each country with its very different working environments and contexts (see I/III). For a more specific treatment of data collection, evaluation and validation in the respective countries please turn to the methodological chapter of each country report.

Equally at the beginning of each country report, the respective researcher will present and explain the quantity and quality of data he was able to collect and which is underlying his subsequent presentation.

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