

Equity, Social Justice and Economic Policies (Case of Study: The Taxes Systems)

Zoheir Tafer, University of Bechar, Algeria
Mohamed Abbar, University of Bechar, Algeria
Fadhila Meziane, University of Bechar, Algeria

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Abstract

All economic doctrines, ultimately aspire to one thing: reducing inequalities that exist in the population. By doing so, they would enhance the welfare of the most disadvantaged. However, the search for what is referred to as "social justice" or natural equity is often blurred, tedious and sometimes leads to paradoxes and raises many questions: what is the degree of inequality acceptable in a society? From what threshold should we act? And how to do it? Philosophers, sociologists and economists have always tried to answer these questions. They relied on concepts that are in the same time close as different, i.e Equity, Equality and Justice . The paradox is that this attempt to answer the questions has over time resulted in a truncated conception of the problem. The solutions undertaken to reduce social injustices, sometimes, deepen them or create injustices in other respects. The purpose of this paper is to provide a philosophical and sociological reading of some of the key concepts underlying (in theory) policies aimed at establishing social justice, namely horizontal and vertical equity. It will attempt to identify the elements of similarity and dissimilarity and to demonstrate through some practical examples, the paradoxes and dangers that arise from the mixture of concepts. It will also overview the social economic and political consequences of measures taken in the name of a pseudo social justice. It will be concluded by a quite telling case of the taxation system practiced in some countries, especially in Algeria.

Keywords: Equity, Equality, Social Justice, Wealth Redistribution, Taxes, Algeria.

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Introduction

The word *Fisc* have for origine the Latin word *fiscus* (wicker basket, intended originally for the collection of fugues, and secondarily used to collect money from the tax), the tax is paramount for any country: on the one hand it allows to finance the public and spending projects of General utility and on the other hand, and on the other hand it allows at least in theory to operate a redistribution of wealth. However many are reluctant to carry out tax and more to equate it to a regulated flight, and for good reason, they believe it pays the State a lot and they receive little in return in terms of services and assets public, or else that they work more than others and they pay more than them. In other words, they suffer an injustice in the name of justice, fairness and legality. And even the Government, often use these expressions as synonyms to justify such or such new tax. In fact, taxation has really like sitting his concepts there? These same concepts are really substitutable one for the other? Social justice would not be just a decoy in addition to the hand of politicians to justify more punctures? We will try to answer these questions addressing the following:

- A presentation of the concepts of social justice and law justice;
- Equity equality and points of likeness and unlikeness;
- The object, the goal and the legitimacy of the taxation of the philosophical and economic points of view;
- And finally, we will take as an example the Algerian tax system that we will try to demonstrate through the concrete of the conclusions we have reached previously.

I. Justice, Social Justice and law

The word *Justice* comes from latin *juice* (right) or *Judicar* (say the right). It designates sometimes the institution in function is to apply the law and sometimes the value that it attaches to the judgment and to laws she expresses a value or an institution. Ulpian is defined as " *a constant and will constantly to each what is due to him* ." Justice is in fact a need for justice that is a fair distribution of resources and equal treatment in the form of rewards or sanctions.

For Plato the right is not morality as for Aristotle in the *Nicomachean Ethics*, the law acquires autonomy of morality as it is not synonymous with justice because it is a moral virtue. Aristotle distinguishes two types of justice, *General Justice* and *Particular Justice* themselves subdivided in *Retroactive Justice* and *Distributive Justice*: *General Justice* is based on the principle that the citizen makes to society what she claims of him, in other words a contribution to the common good. *Retroactive Justice* is to treat everyone the same way finally *Distributive Justice* is equity in the sharing of goods and loads where each receives according to his needs. In summary, the *General Justice* aims to achieve the common good and *Distributive* and *Corrective Justice* in the sharing of the common good (Casteigts, 2012).

Subsequently in justice is in two types: a natural justice arising from the observation of nature is a positive issue justice of the laws enacted by the legislature (Doyon, 1995).

Rawls and in his book *A theory of Justice* (1971), sets out that justice is the fair principles of social organization that would be chosen by citizens called to conform

their conduct if they were placed in a situation which would ensure the impartiality of their judgment. Rawls, an institutional set is just if the rules but are willing to work to the benefit of all the citizens and not a part of it (Spitz, 2011). Finally, for him, the society must be fair (just) before being egalitarian, so he implicitly makes a distinction between equality and equity (La-Philo, .

Social justice is the set of principles that define a division of natural resources or symbolic fairer or more egalitarian five groups to increase not collective well-being and cohesion of the group through an action oriented towards individuals or social groups

Back to Aristotle, he also operates a distinction is made between the particular law and common law: by special law, one that, for every people, has been defined relatively. and this law is sometimes not written, sometimes written; common law it refers to natural law, who relieved of the being of things, that distinguishes right from wrong (Clément, 2011). As for Hobbes his *Leviathan* of 1651, there may be other rights than the law and law is similar to the Act of the legislature.

In modern times, the law in the broad sense, is defined as a normative provision declares and abstract posing a legal rule of mandatory application. In the formal sense, it is a provision taken by a deliberation of the Parliament as opposed to the regulations that is issued by administrative authorities (Braudo, 2001). Moreover the right is defined as the set of the interpretative provisions of directives which at a time and in a particular State, rule the status of persons and property as well as the reports that they maintain (Braudo, 2002).

II. equity and equality

Equity of the Greek *epieikeia*, is a subjective concept that is not associated with any standard but corresponds to the common idea of the sense of justice. It is the character of which is equal, in line with the idea of justice, a natural justice higher than justice determined by Act positive and more flexible than she (Maheu & all, 2017). It allows to legitimize certain social inequality contests are in favour of the most disadvantaged or so-called positive discrimination. Equity is by nature, to correct the law later the inadequacy of this one because of its general nature (da Silveira, 1993). In this regard Aristotle described fairness as follows: “...is to be lenient on human weaknesses, it is considered no law but the legislature, not the letter of law but the spirit of the one who made it, not the action but intend, not the part but all..”. So according to Aristotle, it has aimed to limit the force unfair law, and according to Rawls, equity is to compensate as much as possible all the inequalities of social origin (Pouzin, 2016). Equity and is sometimes considered to be an instrument of a law developed by an aristocratic elite, which is intended to mark the power of judges and sometimes as a legal instrument, stated following the sentencing to death of Socrates by Plato by the democracy and on behalf of the Bill. It was a response to the decline of democracy and the crisis of the Act (Sarfati, 2010). She is also related to natural justice, natural law and natural law, and is so universal and apply to all, and is not a positive law; It is limited in space and time.

As for *equality*, it is in the strict sense, it is an equivalence between two terms or more, rated on a scale of values on criteria of preference, or in simpler terms, equality

and made it not run difference significant or even two substitutable realities to the other (Hutmacher & al, 2001). Go from there; There are several concepts revolving around equality: *legal equality* which is a principle that the prescriptions, defenses and legal penalties are the same for all citizens without exception of birth, status and Fortune (we can talk here as civil equality). *Political equality* is the principle according to which political rights (the right to vote), and the extent of their abilities, accession to public service, rank and dignity belong to all citizens without distinction of class or Fortune, or still *substantive equality*, which is the fact that two or more men have even wealth, same education, same State of health, etc. In this category, it's more equal rights, but equal material kind, in which you can store *the property equality* and *social equality* in a more holistic way (Mercier, 2009).

It is therefore obvious that despite appearances, equity and equality are distinct from the other and cannot replace one with the other: 1 + 1 equals 2, cannot become 1 + 1 is fair at 2!

III. The taxation under the gaze of moral philosophy and economic necessity:

III.1. purpose and goal of the tax:

Taxes is defined as involuntary fees levied by a government or regional entity there transaction, product or activity in order to finance government expenditures (Encyclopedia.com, 2010).

With the time since has become synonymous with the authority to levy taxes. By extension tax policy taxation and one of the dimensions of the fiscal policy (Kharroubi, 2001). It concerns all the decisions and directions that determine the characteristics of a tax system (Cliche, 2010). The latter is a set formed of three choices a goal, a technique and an organization (Fellah, 2008):

1. Objectives : actually the objectives are fourfold (Chiha, 2012):

- a. Revenue from tax payers generation.
- b. Redistribution, to reduce inequalities and the equal distribution of utilities by the game of taxes and public spending.
- c. The internalization of externalities, i.e. the use taxes and subsidies to regulate prices and make them more adapted to the reality of the market.
- d. A fourth objective can be the behaviors changes: incentive to consumption or reduction of this one (tobacco, alcohol, etc.), protection of the environment, limitation of birth rate, etc.

2 .Technique:

it differs according to the overall objective of taxation: If the State promotes social balance (redistribution), he will make sure to soften the tax burden on the low income (exemption, reduction (, abatement at the base, etc.) And impose parallel hard high incomes. But the goal and the economic balance, it will use processes that hit the mass of expenditures and ensures a stable financial performance and constant without taking warned the social consequences (Fellah, 2008).

3. Organization:

confuses first the basics of the tax levy (nominal income, transaction, consumer, capital, fortune.), then it is the regulations and legal provisions. Finally it comes to the tax bodies responsible for the collection and recovery of taxes.

III.2. taxation between theory and practice:

Tax system generally use generally three tax bases: income, expenditures, heritage, and aspire to work according to what is meant by horizontal equity and vertical equity. Horizontal equity assumes equality before sampling, in the sense that has equal ability to pay, a tax levy equal (same income, same tax). Vertical fairness she expresses the contributory differentiation: has unmatched ability we pay differently (they pay according to their income, the more it more we pay more).

The degree of appreciation of the idea of tax levy differs from one society to another, and from one era to another. The legitimacy of the tax system is to make the levy is a way to bulk of public funding, whether compensation directly or indirectly of the services rendered by the State, but who must respect the principle of equivalence between services renderings and samples collected. This argument of the legitimacy of the tax system is actually that of economic efficiency: the situation where some people cannot be made better off by reallocating the resources or goods, without making others worse off (businessdictionary.com, 2011). Second current is also trying to legitimize taxation is based on the principle contributory itself based on the principle of equity, which boils down to the following questions: how to fairly distribute the tax burden between citizens? Thus a separation is made between the tax system and the public user: is not he who uses the services most who pays the most, but the one who wins the most.

Back by economic efficiency: the latter means also that samples should interfere as little as possible with the system otherwise it prices, will cause either inflation is therefore a reduction of purchasing power, called in this case a tax distortion, is a decline in corporate profits and therefore less investment, less work created, etc.

Of what came before we come to the following conclusions:

- According to the theoretical background that governs taxation, it assimilates sometimes more in compensation for the benefit of the State of a redistribution for the benefit of the less fortunate: who wins the most pay the most but really uses the services provided by the State than others? In other words this vision is certainly fair to the poor but it isn't towards the rich.

- It is clear that it is illusory to reconcile these two objectives (economic efficiency and contributory principle or equitable redistribution) they are contradictory by their very nature or at least not the consequences she generate. VAT is a striking example: she bails out of Treasury funds but is also seen as a reduction in the purchasing power that can be quite substantial if we do the sum of the VAT that consumers must pay each of their purchases.

- The principle of equivalence room tax system hinge problem in practice: here there is a confusion between the concept of equality and fairness: horizontal equity is more

similar to equality as we the defined above while vertical equity is more akin to the concept of equity in the proper sense of the term. But the concept of equality extolled by the defender of excessive taxation, is inadequate in this case, because people who receive the same income do not necessarily have the same loads, the same needs, the same characteristics in other words the same capabilities. It is because of a fairness confused with equality that unfairness is committed.

- In addition, and since the idea of taxation depends among others on philosophical precepts, it would make sense to deal with the issues that revolve around it through the prism of philosophy: the tax rules in practice are established on the basis of descriptive elements: such category, or such person such position, or who is suffering from such infirmity, which must pay such tax rates, leading to "tax standards".. This is perfect against a law the most important philosophical: the law of Hume, impossible to infer a normative conclusion from a set of descriptive beginnings. Finally, laws and tax provisions are proposed by the competent authorities, in this case the Department of finance, to the Parliament for adoption however the parliamentarians have the knowledge required to discuss all the laws very techniques? They have enough data to judge their relevance? Will they be evidence of objectivity? Equity or equality? One of the most striking examples, and the tax on capital in Algeria to which we will return later.

- There is also the presence of horizontal equity in restorative justice and vertical equity in distributive justice. It's like saying that taxation is based on the notion of justice as reported by Aristotle. A finer analysis also allows to conclude that tax laws are ultimately a result transcript of justice known as positive, while they are based as mentioned on from concepts of Justice Aristotelian principles but also of Social Justice. This which may explain the impossibility of reconciling economic efficiency and social justice in a taxes system.

IV. The Inequity of the Algerian tax system

To further illustrate the previous findings, we will take as the Algerian tax system. Without going into the details we will focus on the common elements of this system with other systems around the world already that the basic principles are almost identical and the differences are only the tax rates and in some cases the categories subject to the tax.

a. VAT

Outside the VAT included in the price of the final goods and services, VAT applies to the operations of an industrial, commercial or artisanal activity carried out by a taxable person on a regular or occasional basis. A striking example is that of the automotive industry in Algeria: in recent years several international firms like Renault, Volkswagen or Hyundai settled in Algeria. In order to encourage foreign investment the State had decided to exonerate them of VAT. In theory this would have resulted in affordable for ordinary citizens however it turned out that prices of cars out of its factories are still more expensive than those imported from abroad, a flagrant case of unfairness, insofar as the wealthy investors indirectly appropriating what needed to go back to citizens in the form of lower prices. This situation has led to the launch of a campaign to boycott these cars under the slogan "let the rust"

widely followed by the Algerian population. In the face of this injustice, the 2018 complementary finance law will force these firms to pay 19% VAT, however investors have threatened to postpone on prices. With or without VAT it is the consumer who will pay for the consequences of these ill-considered measures so boycott campaign might take more size and cause the long term of the plants and so thousands of jobs lost.

b. Income tax

Which is the tax on the total income and who comes third in terms of tax revenue after oil tax and VAT. In Algeria the income tax is withholding so picked directly from the salary and went on a sliding scale:

Table 1: Rate of Income Tax in Algeria in 2018.

<i>Annual salary</i>	<i>Rate of I.T</i>
< 120,000 DA	0%
120 001 to 360 000 DA	20%
Of 360 001 DA to 1 440 000 DA	30%
> 1 440 000 DA	35%

Source: MFDG, Algeria, 2018

Are exempt from tax volunteers, unemployment benefits, severance pay, among other foreigners. However if we take for example the second category that pays 20% so someone who perceives 360,000 DA and subject to the same rate as someone who sees 3 times less the salary (120,000 DA). Similarly, an annual salary of 1,440,000 DA per year, 4 times higher than 360,000 DA and subject to the same rate of 30%. A more telling example: someone who sees 1,440,000 DA per year pays a tax on the income of 430,000 DA, and someone who sees 360,000 DA pays only 72,000 DA, in other term, the first win 4 times more than the second but pays in WRI 6 times more! He is a committed against iniquity who receive high salaries, and in theories of individuals with heavy loads... it's like it encouraged people to pay less tax or to do less work, and if it wasn't a levy at the base, it would encourage misrepresentation, tax evasion and tax exile... too much taxes kills tax.

c. The wealth tax

The 2018 wanted a Finance Bill will introduce a tax on fortune by defining the type of subject heritage, the scale and the destination of the revenue from this tax. Heritage subject to this tax must have a value greater than 50 million of DA (a little more than 300,000 euros). However the National Assembly through its Finance Committee, and Algerian rejected bill following the intervention of employers and wealthy personalities, several have member status. Politics and business don't mix, because those who have the money have the power to weaken the Government by imposing only the rules that manage them. What then if it are the same ones that amending the laws? Welcome to the third world!

d. Tax abatement

Article 66 of the code of taxes benefits certain categories of tax abatement between 12,000 and 18,000 DA per year (57 and 85 euros), are between 1,000 and 1,500 DA per month (5 to 7 euros). Which is paltry as long as the minimum wage in Algeria and 18,000 per month! In other words a reduction equal to its peak in the 10e of the SMIC for the benefit of people already in physical situation precarious.

Conclusion

« We find happiness by looking at equity »

The inscription engraved on the tomb of the Egyptian Priest Ptoiris, 300 - BC.

No one disputes the need for taxation and social economic interest. But it would be illusory to believe that she has for goal the realization of a utopian, and equity even more dangerous to hide behind these concepts of Honourable equality and social justice to justify economic policies inefficient and failures of officials, unable to improve the quality of life of citizens otherwise than on taking their pockets, made there could be social contract if trust is lacking between Governor and governed, there is no y have confidence without honesty both practices than speeches.

It is clear that the tax system as it is thought today is based in theory on the idea of close justice that Rawls. But on paper, it is more akin to the utilitarian view of justice, where the purpose of the institution and the consequences of his actions are the maximization of satisfaction or the overall utility average society (to the greatest happiness of the greatest "number), even if it means sacrificing the rights of marginal categories if it is in the interest of the greatest number. While in practice it oscillates between two visions, he tried to reconcile no matter what they are by nature irreconcilable; the moment that one aspires to strengthen the cohesion of the group, and the second is by its very nature, likely to create ditches between the members of the group, and to expand existing ones between the different groups. In the light of these elements, it would therefore appear that more sensible to establish the rules of taxation according to the theory of the capabilities to Sen, which is based on the premise that the disparities between individuals as equal amounts proposed to different individuals don't not provide the same satisfaction, so the capability or the ability to achieve the goal, it was she who should be placed so that the distribution of taxation to reach may not the fairness perfect, but at least a State better than the one that currently exists.

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Contact email: Tafer Zoheir: zedtaf@gmail.com
Abbar Mohamed: abbar_mohamed@yahoo.fr
Mme. Meziane Fadhila: meziane.fadhila@gmail.com