

Donation is better than Taxation: Transition of Democracy from Representation to Participation

Prabhakar Deshpande

Abstract: Charity is similar to tax. Yet people pay almost 100 times in tax than they pay in charity. Of course the reason is obvious – taxes are mandatory and charity is voluntary. But considering that governments are corrupt and incompetent, isn't it better to give more in charity and less in taxes. Plus, in charity you can choose what cause you want to support, whereas in tax, the politician decides how to spend your money. Tax is residue of representative democracy whereas charity is a harbinger of participative democracy.

Date of Submission: 14-03-2023

Date of Acceptance: 29-03-2023

I. Introduction

The idea of charity does not even occur to most people. Even the very rich do not give much in charity what to say of ordinary middle class people. That is not very surprising. After all why should anybody donate money at all, never mind most religions do urge people to donate money.

But people do pay a lot in taxes. They cheat on taxes of course, but eventually people do end up paying taxes. And taxes are used by government to subsidise education, healthcare, food etc etc etc.

But charity also does almost the same thing provide free education, health care etc etc etc. Then, if people pay so much in taxes, why do they not pay enough in charity. Generally people pay almost 100 times in taxes than they do in charity, and this after averaging with rich who do give more in charity.

The thing is taxes are mandatory and charity is voluntary. Hence it should be obvious why people pay so much in taxes and so little in charity.

But here is a reason to give more in charity – most politicians are corrupt and ngos are usually clean.

Then shouldn't you give a lot more in charity to clean NGOs, when you give so much in taxes to corrupt Government.

This paper argues that donation is better than taxation and is transition from a representative democracy, characterized by taxes, to a participative one, characterized by charity.

Tax to GDP ratio vs Charity to GDP ratio

People pay almost 100 times in taxes than they do in charity. And this is after averaging with rich and not so rich. And the rich do give some in charity, even though it is hardly commendable. The not so rich barely pay their taxes, what to say of charity.

In most nations of the world and we are discussing rich nations of the world, the tax to gdp ratio is around 30%, whereas charity to gdp ratio is hardly 0.3 %, which means the tax to gdp ratio is 100 times the charity to gdp ratio. Of course United States is an exception where charity to gdp ratio is around 1.5% and tax to gdp ratio is around 25%.

The fact that taxes collect almost 100 times as charity is intriguing if not shocking.

Let us compare tax to GDP Ratio and charity to GDP ratio of some nations of world

Nation	Tax to GDP Ratio(%)	Charity to GDP Ratio(%)
United States	27.1	1.44
New Zealand	32.0	0.79
Canada	32.2	0.77
United Kingdom	33.3	0.54
South Korea	27.8	0.50
Singapore	14.1	0.39
India	18.08	0.37
Russia	24.2	0.34
Italy	42.4	0.30
Netherlands	38.8	0.30
Australia	27.8	0.23
Ireland	22.8	0.22
Germany	37.5	0.17
Sweden	44	0.16

Austria	41.8	0.14
Finland	43.3	0.13
Japan	30.6	0.12
France	46.2	0.11
Norway	38.2	0.11
Switzerland	28.5	0.09
Spain	33.7	0.05
Czech Republic	34.9	0.04
China	17.5	0.03
Mexico	16.2	0.03

Source : Wikipedia

Clearly people pay lot in taxes and very little in charity. In Czech Republic for instance people pay almost 1000 times in taxation as much they pay in charity.

Corruption in Taxation

Taxation is mandatory. Hence people pay taxes; they cheat on taxes, but pay eventually at least a lot of it if not all of it. And taxation is supposed to contribute to redistribution from rich to poor. So far so good. However here is the catch.

Significant amount of tax money gets dissipated and siphoned off in corruption – illegal and legal too. As reported by World Economic Forum, the UN Secretary General Antonio Guterres said that Corruption amounts to 3.6 trillion dollars annually or almost 5% of global GDP.

And that is not all. There is governmental inefficiency – over staffing and palatial life style of politicians (Indian President staying in 360 acre house) . That would add up to another 5% of the GDP.

Thus the legal and illegal corruption can waste away almost 10% of GDP. So if tax to GDP ratio in a nation is 20%, it is safe to say that nearly half of it is siphoned off and dissipated in legal and illegal corruption.

Donation is of Participative democracy; Taxation is of Representative Democracy

Another problem with taxation is that the politician, who admittedly is a representative of people, gets to decide how to spend people’s money. Why should a politician decide how to spend people’s money?

Are people themselves not a better judge on how to spend their welfare money? If people are interested in orphanage, that is where they will spend; if they are interested in sanitation, that is where people will spend money and so on and so forth.

The Boston Tea Party that gave United States its independence had a slogan – No Taxation without Representation. Thus it is clear that taxation is symptom of representative democracy.

But representative democracy is not the best form of governance. A more evolved system of governance would be participative democracy where people decide policies themselves, perhaps in a limited way. And that is what donation allows to do – it allows the person to decide where to spend welfare money and that is symptom of participative democracy.

Donation will improve representation

However government is here to stay. But donation will improve the representatives of people. After all, a representative of people is only as good as people. And if people donate, they become good people. And representative of good people will be good. Whereas if people do not donate they become bad people and representative of bad people will be bad. Thus donation will improve representation by improving quality of representatives in a democracy.

II. Conclusion

Donation is a better of achieving welfare. Taxation siphons off money in corruption. Taxation is symptom of representative democracy where politicians decide how to spend people’s money. Donation on the other hand is symptom of participative democracy where people themselves decide on how to spend their own money. Donation will also make people good and hence make their representatives good and thus improve the quality of government in a representative democracy.

References

- [1]. https://en.wikipedia.org/wiki/List_of_countries_by_charitable_donation
- [2]. https://en.wikipedia.org/wiki/List_of_sovereign_states_by_tax_revenue_to_GDP_ratio
- [3]. <https://www.weforum.org/agenda/2018/12/the-global-economy-loses-3-6-trillion-to-corruption-each-year-says-u-n>

Prabhakar Deshpande. “Donation is better than Taxation: Transition of Democracy from Representation to Participation.” *IOSR Journal of Economics and Finance (IOSR-JEF)*, 14(2), 2023, pp. 37-38.