

Rother Baron:  
**The Seashell Conference**  
*Fourth Conversation with Paula:  
Talk about Tax Legislation*

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**On Paula's small South Sea island there are no prisons and no army, no parties and no property. She looks at what we take for granted with the astonished eyes of a child.**

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*"With her wrap-around dress, on which exotic birds screamed in bright colours, her face that seemed to be carved like out of ebony, her thick black hair, in which the sunlight sparkled, and her supple feet whose smoothness formed a striking contrast to the cracked asphalt, Paula looked so alien to me that I stared at her as if she were a hallucination."*

from: [How I got to know Paula \(Conversations with Paula, Introduction\)](#)



## Table of Contents

How Paula is dressed .....	4
Seashells and Taxes .....	6
Do Politicians Have Spare Brains? .....	8
The Added Value of Broken Roofs.....	12
"Moonlighting? What is that?" .....	14
"Is buccaneering supported by the state?"	17
Picture Credits.....	20



## **How Paula is dressed**

During her stay with me, Paula always wraps a colourful scarf around her body, in which she struts through the city like a statue. I have often asked her if I shouldn't provide her with real clothes, but she always rejects this with amusement. Paula believes that we are too focused on the body anyway. Especially in summer, she says, the body is over-emphasised by our clothes.

My objection that her own culture's practice of going completely naked draws even more attention to the body is just as firmly re-

jected by Paula. Constant nudity, she claims, deprives the body of the very promise with which our tight-fitting, much too skimpy clothes surround it.

But that's not really what I wanted to write about here – all the more so as Paula has already mocked at our clothes so often that I'm wondering myself whether it wouldn't be better if we all went naked.

What I had in mind was rather the tax scandal that was causing a stir in our republic during one of Paula's visits to me. I don't remember exactly which honourable citizen was caught in a fiscal maelstrom and what kind of tax evasion was concerned. However, there is usually a certain type of island involved in these cases, which in financial matters has a similar cloak of invisibility around it as Paula's island has in the physical sense.



## Seashells and Taxes

I still recall that I became aware of the scandal in a café where I was spooning ice cream with Paula. All the newspapers on display shouted it out in big letters.

When Paula heard about the incident, she said compassionately: "Of course, something like that is annoying. Probably the person in question cast a dissenting vote at the seashell conference and then didn't want to abide by the majority decision."

"Seashell conference?" I echoed, uncomprehending.

"You don't hold seashell conferences?" she wondered. "Well, it probably just has a different name in your country. At the seashell conference, we discuss how we are going to use the share of the collected shells that everyone has to hand over to the community: for fixing the crumbling rocks, repairing the paths, securing the plantations against predatory birds ..."

"Now I understand what you mean," I interrupted her, "but we don't have anything like that."

"Really not?" Paula asked in amazement, balancing her ice cream spoon in front of her mouth. "And how do you decide then what to do with the community share of the collected shells?"

I couldn't suppress a superior smirk. "You know, Paula, we don't live in a small, uncluttered paradise like your island seems to be! Our living conditions are far too complex to allow us to vote on the financing of public projects in citizens' assemblies. Such things

are decided in our country by politicians, whom we send to various types of popular representation in democratic elections for a certain period of time."



## **Do Politicians Have Spare Brains?**

Paula snacked a little on my pistachio ice cream. Judging by her expression, she didn't like it very much. So she turned back to her own sundae.



"Do your politicians actually tell you in advance how they intend to use your money in the next few years?" she asked cunningly.

I hesitated. "Well, more or less, sort of ..."

"But they can't know precisely in advance what they will need money for," Paula objected. "No one can predict a storm surge and the damage it will cause!"

"That's exactly why they are given the authority to use the money in the way that is most conducive to the welfare of the people," I explained in a statesmanlike tone.

Paula shook her head unwillingly. "And there's nothing you can do about decisions they make?"

"Well," I conceded, "not too much, at any rate ..."

"If that's the case, you can't ask anyone to cede shells to the community," Paula stated, pushing her spoon resolutely into her raspberry ice cream. "If you don't have a say in what happens to your shells, you can't be

expected to give away any of your hard-won treasures."

"But actually everyone has a say in it!" I exclaimed. "Each of us can vote for the politicians who will then decide how the money is spent."

"That's not the same thing," Paula replied sternly. "I can't know how a particular politician will decide in certain situations and in interaction with others! No, real participation looks different! For that, you would have to ask the people directly what they think about the single projects."

"And how would you do that?" I asked challengingly. "We are a nation of over 80 million people. If you consult all of them before every financial decision, you'll never get anywhere!"

"Well, you could at least have a consultation on what percentage of the shells collected should be used for the different purposes," Paula suggested. "In addition, especially for projects that cost more than a certain

amount, you could hold additional meetings where the seashell collectors themselves could decide on the project."

"But it is precisely the most expensive projects that are the most complex!" I rebuffed the suggestion. "A simple citizen cannot see through all these interrelationships. The knowledge required is simply far too complicated for that."

Paula smiled mischievously. "So you distrust your citizens' ability to make decisions – and yet you call yourselves a democracy? And besides: How can you make sure that those you elect as representatives of your people understand these supposedly so terribly complicated interrelationships better than you do? Are they a different breed of people? Do they come from another planet, where people have spare brains in case the main brain is not enough to cope with the necessary knowledge?"



## **The Added Value of Broken Roofs**

Oh, Paula, I thought: How nice it must be when the world is as clearly and simply structured as on your island! I decided better not to say anything more in reply, as we were obviously arguing from too different cultural presuppositions.

So we picked at our sundaes in silence for a while. Then Paula asked me abruptly: "How many seashells do you actually have to give to the community per hundred shells?"

It was a bit annoying to me that she always spoke of "shells" – she knew perfectly well that we had a different means of payment in our culture. I took a deep breath and explained in a calm tone: "You can't say that in general. It depends on how much you earn per month, what your sources of income are, how many people live on that income – and of course on your expenses."

"So I can just use my shells for myself instead of giving a share to the community?" Paula followed up.

"That would be nice!" I laughed. "In fact, you always have to pay some kind of tax when you earn something, no matter how high your expenses are. Besides, the state also earns from the money you spend."

"You mean that the money spent strengthens community life, for example by promoting trade among each other?" Paula interpreted my explanations.

"I was actually thinking of something else," I clarified. "Namely, that the state also taxes

the expenses incurring. If, for example, I have a new roof built on my house, the state levies a substantial tax on the money I have to pay the craftsman."

Paula looked at me incredulously. "The state earns money from the fact that your roof is broken?"



### **"Moonlighting? What is that?"**

At my nod, Paula at first fell into a brief pondering. Then she drew another comparison to everyday life on her island.

"Strange," she mused, "in our culture it's exactly the other way round. If someone has to repair something on his thatched hut, he has to give fewer shells to the community. If the damage is really bad, he can even be exempted from the fee altogether, and he receives additional support from the community – usually in the form of helping hands that pitch in with the repairs."

"Something like that wouldn't be possible here – that would be moonlighting," I explained to her.

Paula looked at me uncomprehendingly. "Moonlighting?" she asked, spooning up the remains of her melted ice cream. "What's that supposed to be?"

"Moonlighting means doing work for someone without the state knowing about it," I explained.

Paula shrugged her shoulders. "So what? Why should it be any of the state's business if I help my neighbour with a repair? And

what does that have to do with the taxes I have to pay to the community?"

Did she really not understand? Or was she just pretending, in an attempt to force me to take a stand? "The state assumes that there is no such thing as unpaid assistance," I explained. "So the person who generates added value for someone else through undeclared work – which doesn't necessarily have to be financial – withholds from the state the share of this value that is owed to the community."

Paula shook her head once again. "What a poor state this must be that doesn't believe in the existence of neighbourly help," she muttered half aloud.

"However, there are also expenses with which you can reduce your tax burden," I continued to explain, without responding to her provocative remark. "For example, you can take out a loan from the bank, buy a holiday home and then rent it out. Since all expenses for the holiday home are then tax-



deductible, you can practically pay off the loan with the tax savings."

"That doesn't make any sense to me," Paula sighed. "If you have some damage to your house, the state imposes a penalty on you. But if you buy a new house that you don't want to live in, the state will give you extra money on top of that?"



**"Is buccaneering supported by the state?"**

To be honest, I didn't quite understand this myself. A friend who had been recom-

mended this tax-saving model by his bank advisor had recently bragged about it to me. So I chose another example: "Of course, you can save the most tax as an entrepreneur," I expounded. "Then you can easily make the profit in one country, but pay tax on it in a country with a lower tax burden by transferring the headquarters of your company there."

"So I can use the facilities in your country to make a profit, but let another state benefit from it?" – I nodded. – "Does that mean that buccaneering is also state-sponsored in your country?" Paula asked mockingly, tossing back her South Sea mane with a coquettish swing.

It wasn't immediately clear to me what she was trying to say, but I didn't bother. I was tired of the discussion anyway – I had expected something else from the visit of my South Sea beauty than an erudite dispute about our tax system.

So I called for the waitress and had the bill brought to me. "Total amount: 15.30 Euro", I read – and: "This amount includes 2.91 Euro value added tax."

"What is value added tax?" Paula asked.



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