

U.K. Tax Justice Network: 10 years after the crash the tail is still wagging the dog

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Will Snell from the The Tax Justice Network writes about a decade of campaigning against the global economic system which caused the crash

When the Tax Justice Network was formed in 2003, the idea of campaigning to change the global tax system was seen as eccentric, at best. Founding director John Christensen recalls going to meetings of international charities and being part of the 'awkward squad': "We were trying to persuade them to look at the harms done by tax havens, at a time when the big charities were focused on increasing aid budgets. They saw us as a bunch of marginalised nutcases who were undermining the development agenda".

In the following years, however, the Tax Justice Network and its allies quietly developed a coherent intellectual framework that provided a devastating critique of the global economic system, and the extent to which illicit financial flows, tax havens and financial secrecy deprive developing and developed countries alike of vital financial resources without which they cannot provide basic services to their citizens. The framework also outlined a comprehensive set of policy 'fixes' to these problems, including shining a light on the real owners of all companies, and requiring multinational companies to declare their turnover, profits and tax paid in every country where they operated (see [Tax Us If You Can](#), 2005).

No one beyond the small world of international tax policy paid much attention, and even then, as *The Economist* put it in a cover story gushing about the supposed benefits of tax havens, sniffily dismissing the Tax Justice Network's concerns, "not everybody believes it".

Then the global financial system imploded, culminating in the collapse of Lehman Brothers in September 2008. Beyond the immediate, frenzied global policy response, once the dust had settled, people began to ask difficult questions about the systemic roots of the crisis.

The dominance of neoliberal perspectives made it hard for a coherent progressive narrative to emerge. But there was one set of arguments, ready for the taking. Almost overnight, the Tax Justice Network found an attentive audience for its arguments, many of which were brought into sharp focus by the financial crash. We were rapidly able to start 'flipping' a number of previously dominant neoliberal economic narratives. For example, we argued that rich countries were defining corruption and money-laundering too narrowly, focusing on crooked governments in poor countries, and were ignoring the role of the offshore financial system – hosted and protected by countries like Britain and its '[spider's web](#)' of offshore satellites like Cayman or Jersey – in encouraging and facilitating capital flight and tax evasion (see [Mirror, mirror on the wall, who's the most corrupt of all?](#), 2007.) We challenged the idea that tax cuts, and countries competing in a 'race to the bottom' on tax and regulation to attract investment, supported economic growth and living standards (see [Mythbusters – A competitive tax system is a better tax system](#), 2013). We countered the narrative that minimising

tax payments was just smart business, arguing that tax dodging by multinational companies is anti-social.

In the early 2000s, tax behaviour did not even warrant a mention within multinationals' statements of corporate social responsibility. At the Tax Justice Network's urging, the Guardian newspaper first made tax avoidance [front-page news](#) in November 2007, a few weeks after the collapse of Northern Rock heralded the onset of the crisis. As the financial crash gathered pace, and in its aftermath, tax justice issues – those concerned with justice in taxation, as well as the many other issues (such as crime and secrecy) thrown up by tax havens – rose steadily up the news agenda. Part of this, of course, was because governments around the world chose to impose austerity policies that dramatically reduced public tolerance of such behaviour, and because of fast-rising concerns about inequality. Both trends generated public fury against tax dodging by billionaires and by large multinationals. These policies were legitimised by the false, but widely accepted, narrative that the financial crash had been caused by governments 'spending beyond their means', rather than by problems of rising household debt and falling real incomes combined with weak regulation and lack of transparency within the global financial system.

At the wider level of the global economic system, however, there was no such vision. This was the era of 'TINA' – there is no alternative – when the neoliberal ideology was unchallenged (the 'end of history,' as the US academic Francis Fukuyama famously put it). In the 1970s, the groundwork laid in earlier decades by the [Mont Pelerin Society](#) meant that a neoliberal intellectual and policy framework could be rolled out when the economic system faltered. In 2008, there was no coherent and comprehensive alternative ideology waiting in the wings. Moreover, the dominant explanation of the causes of the crash – that governments had 'maxed out the credit card' – undermined any efforts to introduce reforms based on a more accurate understanding of its real causes. Many commentators in recent weeks, from [Larry Elliott](#) and [Aditya Chakraborty](#) to [Martin Wolf](#) and [Gordon Brown](#), have bemoaned the fact that very little has changed since 2008 as a result, and that the chances are therefore high that another, perhaps even more dangerous financial crisis is around the corner.

At the Tax Justice Network, we agree. Ten years after the financial crisis, the British economy is still being run in the interests of a small financial elite based in the City of London, to the detriment of the rest of the British population and of many other people across the world. In November 2008, the Queen visited the London School of Economics and asked why no-one had foreseen the largest financial crisis since the 1920s. In reality the warning lights had been flashing for years – for example, the economist Susan Strange had flagged up concerns in [Mad Money](#) as early as 1998 – but people in power chose to ignore the signals and failed to represent the public interest. The subsequent breakdown in trust has caused an unprecedented crisis of social cohesion that threatens our democratic institutions.

In [2013](#), the Tax Justice Network looked back at the financial crisis and argued that economic growth and equality in the UK are still held back by a 'finance curse': "the crash... and growing inequality cast doubt on the idea that finance is a boon to the host economy... beyond a point, a growing financial sector can do more harm than good". The glib assumption that the interests of the British people are aligned with those of the City of London could not be further from the truth. The finance sector is seen as the golden goose. In reality, it is the cuckoo in the nest, extracting wealth rather than creating it. A [new book](#) by Nicholas Shaxson, author of [Treasure Islands](#), will be published next month that will examine the finance curse in more detail.

It is striking that even Labour under Jeremy Corbyn holds back from grappling with the choke-like grip that the City of London exerts on UK economic and fiscal policy, which, to quote our 2016 report, "has crowded out manufacturing and non-financial services, leached government of skilled

staff, entrenched regional disparities, fostered large-scale financial rent-seeking, heightened economic dependence, increased inequality, helped disenfranchise the majority and exposed the economy to violent crises”.

John Christensen, now Chair of the Tax Justice Network, summarises the lack of progress that has been made: “Ten years after the crash, household debt is at record levels. Air pollution levels are hazardous in our cities; climate change is unaddressed. Investment in productive jobs has not materialised. Productivity is 20 to 25 per cent lower than in France or Germany. Market power has become even more concentrated in the hands of multinational companies who extract wealth without paying taxes on their vast profits. The majority of new jobs pay low wages and provide little or no job security. Housing is unaffordable. Wealth and income are unevenly distributed between a tiny minority and vast numbers who are ‘just about managing’. The UK’s financial system remains opaque, unaccountable and rigged to serve the interests of the 1%, not the 99%. The status quo is neither equitable nor sustainable.”

Will Snell

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