

Tax Justice: A Quaker's Concern

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The very beginning

As some of you will recall, there was once some advice given that one should start at the very beginning. It was, it was said, a very good place to start.

Tonight I want to do just that.

When I first attended a Quaker Meeting I read the Advices and Queries. One, I recall, stood out to me. It was number 27. You know the one, it says that we should 'live adventurously'. Now, there were, I admit, certain practical problems I needed to overcome at the time I first read this advice. You see, I had, by that time been a chartered accountant for at least 15 years. I suggest you try mixing the phrases 'chartered accountant' and 'living adventurously' and see what reaction you get: then you might begin to sense my dilemma.

And yet the instruction (as I perceived it) struck a chord. I joined the Meeting, met my wife to be there and married there. Now it's not true that everything then went happily ever after, because that's not the way life works, but that is not the subject of this lecture. What is true is that within three years of attending at Meeting I had sold my interest in the firm of chartered accountants of which I had been senior partner and had settled on a new

career in which the pursuit of social, and in particular, economic justice was to play a major part. What was also true at the time that I set out on this course was that I had no real idea, at all, where this concern would lead. Looking back with glorious power of retrospect it seems to have been a wholly reckless and irresponsible act for a new father to have given up considerable security to do something so rash, and yet we appear to have had almost no concern about it at the time.

I make his personal introduction to what is to follow for good reason. Whilst I have to be completely candid and say that I think that the tax justice movement would have happened without me, because I was not the only founder of what became the Tax Justice Network in 2003, it is the case that I, along with TJN's long standing director, John Christensen, was one of the first people to dedicate themselves to working almost full-time on this cause. What that has meant is that, without intention, I appear to have become one of the apparently more prominent members of the tax justice movement. That would not have happened, in my opinion, without the Quaker connection to which I have referred. I would argue as a result that tax justice is this Quaker's Concern.

What is tax justice?

From the start of our mutual work on tax justice - which really began in 2003 - John Christensen and I spent a great deal of time discussing just what we thought tax justice was. We, and the others involved in first creating the Tax Justice Network, had been first brought together by a shared concern for the plight of developing countries. What we had witnessed was the combined

assault upon the well-being of those countries as a consequence of the coordinated actions of accountants, lawyers and bankers working together through tax havens. These actions resulted in the organised pillaging of the legitimate tax revenues of those countries. It was this initial focus of concern that led, wittingly or unwittingly, to the active involvement of many development NGOs in the tax justice cause. Christian Aid, ActionAid, War on Want, Oxfam, Save the Children and many others would not have dedicated so much effort to the issue of tax justice since that time if we had not put development at the very core of our initial concern. That, for many, is where the concern remains right now, and that is entirely appropriate.

Important, though, as this issue of tax loss in developing countries was, and is, we realised that there were bigger issues at play in this arena. Tax havens were, from the outset, at the heart of our concern but what we realised is that tax havens do not exist by chance. They have arisen as a result of very deliberate policy decisions made by a lot of people over a period of time, with their growth from 1980 onwards being a matter of particular ideological significance.

The involvement of the professions, including my own, was, again, not chance. If tax havens were achieving many of their goals, which was undoubtedly true in 2003, when tax havens might have been considered to be at the height of their power, then that only happened because of the support supplied to them by some apparently very respectable people. John knew this only too well: he was the senior economics adviser to the States of Jersey before campaigning against the abuse in that island and many other similar places.

This awareness of development, tax havens and the role of professional bodies was, however, still not enough to explain the direction in which we had to travel if we were to succeed. What we realised we were up against was the prevailing economic philosophy that permitted and even explicitly condoned the abuse we were witnessing. This philosophy, which has dominated world economic thinking since 1980, is, of course, that neoliberalism. There was when we started our campaign, and there still is now, a persistent hegemony that says, based on this neoliberal philosophy, that individual self-interest is at the heart of economics, that economic activity must be shifted from the public to the private sector, that government spending must be reduced, subsidies must be limited, the market must take priority, taxes must be constrained and be at low rates, the rights of private property must be paramount and that regulation should be limited. Fundamentally, it was this philosophy that John and I realised that we were opposing in the tax justice campaign.

When we looked at tax havens what we saw was behaviour of two types. One was criminal, and the other legal, but in both cases identical mechanisms were used to hide the transactions being undertaken from view. The illegal activities included money-laundering of the proceeds of crime, tax evasion and the handling of the proceeds of corruption. The sums involved are enormous. One of our first successes as a campaign was to publish a paper that John and I co-wrote in which we estimated that \$11.5 trillion of illicit funds were held in tax havens as a consequence of these activities. We estimated the loss to governments around the world from this cause alone to exceed \$250 billion a year. We did that in 2005.

There was only one problem with that paper: we now know that we dramatically underestimated the sums involved. The latest estimate, published by the Tax Justice Network in 2012, suggests that at least \$21 trillion is held in tax havens as a result of illicit activity of this sort.

And yet, as we also showed, these sums related to only part of the problem. The total flows through tax havens from supposedly legitimate activity undertaken by multinational companies to hide their profits from tax in the places where they were truly earned turned out to be very much higher. The figures involved have always been contentious, but, we have always estimated that the resulting losses to developing countries from this activity by multinational companies has cost them more in total than the worldwide aid budget. This is a sum that might be in excess of \$100 billion a year.

The fact was that we knew these problems existed from the outset of our work. What we needed in 2003 was a framework to help us identify the precise activities of concern, quantify them, propose a remedy, and to highlight the gains that would be obtained as a consequence of tackling this abuse. It is in creating this framework that I think, admittedly with the power of retrospect, that what I believe to be Quaker thinking, and my understanding of the disruptive power of that thinking, helped us to address these issues.

The early Quaker influence

I do not claim to be an expert in early Quaker history of theology, although I admit that the book cases at home do suggest a wide range of reading in this

area. I think our household evidences that common Quaker complaint of questioning all purchases unless they be of books.

What I have learned from that study is that George Fox, Margaret Fell, James Nayler and others spoke because they had no choice. They did so despite ridicule. They chose not to fear consequences. They were willing to be outsiders. They had no qualms about disrupting the status quo of the period – where a religious hegemony more powerful than neoliberalism did, I suggest, prevail – and accepted the risks of doing so. In all cases they spoke from belief: there's was not a pragmatic offer, it was one based on an inner conviction that the prevailing philosophy was wrong. I would suggest that the tax justice movement has shared those qualities.

From the outset we decided that our task was to speak out. We did research, but we did not seek publication in academic journals, as we might have done. Instead our target was column inches in national newspapers and airtime on radio and television. George Fox may have spoken after church services, and even during them. Our disruption was intended to take place in the national media.

Like Fox we were also willing to speak where our opponents were. I have been to tax havens, and have become especially unpopular in Jersey, the Isle of Man and the Cayman Islands, where the head of their Monetary Authority once described me as the leader of the tax justice Taliban. I was in Washington DC when he made that particular claim. It's not the place to be when someone says you're in the Taliban.

We took on targets that were well known. I was involved in creating many of the well-known tax stories of the last decade, including those on Google, Amazon and Starbucks. We made ourselves unpopular. In summary, we sought to speak truth to power, and power did not like it.

And yet the movement has survived and prospered and what really interests me is why that has happened, and how that experience can inform both what we do in tax justice in the future and what others wanting to also effect change can do. I suggest that there are four reasons why our message resonated, and they come down to convictions, all of which will be familiar to you. They might be described as Truth, Equality, Simplicity and Peace. What I want to do is explore what we have thought, said and done under each of those headings.

Tax justice and peace

At its core tax justice demands that each person pay the right amount of tax at the right time, in the right place and at the right rate.

Right has a special meaning here. It means that not only do you comply with the law. Tax avoiders can claim they do that. It does not even mean that you comply with the spirit of the law – which is what HM Revenue & Customs expect. It is about putting this desire to do the right thing into action, so that what is declared for tax purposes reflects the economic reality of what the taxpayer has actually done.

That, at least, has been our usual explanation of the term ‘right’ but the reality is that it reflects something broader than that. It is our belief that we are

people who live in community. But that community is not made up of those immediately known to us, as neoliberalism might, at best, suppose. We think that community between people known and unknown is something that is a pre-requisite for a life well lived.

Without that community there would be a continual struggle to preserve ownership of property, to secure the means for survival, and to maintain the boundaries around communities that are necessary if it is to invest in its own identity, traditions and future, as all do, for a community does reflect a culture, even if it is one that should develop and evolve over time.

Tax provides the mechanism to achieve these aims in a non-violent way. It's not just that it pays for the process of government that defines in turn the extent of the community, the way it identifies and transfers property rights, and which protects its more vulnerable members: tax does this in a democracy with the willing consent of the members of that society. That combination of consent and tax takes away as a consequence the cause for much dispute. As a result, tax is one of the foundations of peace.

We pay a price for this: indeed American Judge Oliver Wendell Holmes, Jr. said in a speech in 1904 that 'Taxes are the price we pay for a civilized society'. I would agree. But I would go further than that. I would suggest that we don't as such pay taxes. The funds that they represent are, I suggest, in fact the property of the state. After all, if we give the state the power to define what we can own, how we can own it and what we can do with it – and we do – then I would argue that we also give the state the right to say that some part of what we earn or own is actually its rightful property and that we have no

choice but pay that tax owed as the quid pro quo of the benefit we enjoy from living in community.

This philosophy is, of course just about the polar opposite of that of the neoliberal who thinks that all taxation is, in effect, theft of the private property of the individual that the state must, by coercion and threats wrest from their possession. That notion of tax as theft is, by the way, commonplace in neoliberal thinking. Its expression in milder form gives rise to the term used by politicians of all parties in recent years when they talk about spending 'taxpayers' money', with the clear implication that the government really does not own the funds in its possession. Well let me inform you that there is no such thing as 'taxpayers' money': it is the government's money to do what it will with in accordance with the mandate it has been given and for which it will have to account. It is the government's money precisely because we owe it to them in accordance with the laws that we, by consent, have agreed to comply with and which underpins the society of which we are a part and in which we wish to live in reasonably peaceful harmony.

Based on this understanding the tax justice movement has sought to highlight the activities of those who seek to undermine this relationship between people (including those artificial people called companies) and the communities of which they are a part by seeking to opt out of the payment of tax that they owe. This process of opting out can be legal, when it is called tax avoidance, or illegal, when it called tax evasion. The difference between the two is, however, much harder to define than many think. One time Labour Chancellor Dennis Healy explained that difference rather well when he said that it might be best

defined as the thickness of a prison wall. He was right since I will assure you, as a chartered accountant, that all too often those walking what they think is the fine dividing line between the two have no idea of the side on which they might fall. It is, for that reason, that the tax justice movement usually describes both as tax abuse.

What we have shown since 2003 is that in a great many cases the mechanisms used for both activities can be similar. So, for example, tax havens have been used to facilitate both tax avoidance and tax evasion. As evidence of that in June this year Barclays Bank revealed that its 14 employees in Luxembourg, a tax haven at the heart of Europe whose former Prime Minister is now the President of the European Commission, apparently earned £99.2 million of revenue each for the bank each, with £98.6 million of profit each resulting. That bank's employees in Jersey were not quite as efficient: they only earned revenue of £3.4 million each. In the UK it was £191,171 each.

Many have tried to claim in the comments section of my blog that these figures represent economic reality. Let me assure you, they don't. There is no way that this is tax compliant behaviour as I define it because there is no way those tax haven employees are so much better at their jobs than Barclays' UK employees are at theirs. What is happening is that income is being artificially shifted from a place where it might be taxed, such as here in the UK, to places where almost no tax is paid, like Jersey and Luxembourg. But this shift is not, as Barclays claimed, a result of their responsibility to their shareholders to minimise the tax that they pay. This shift is, I suggest, a conscious decision on their part to opt out of UK society and not pay their way here in the country which provides them with their head office, their biggest volume of sales and

which hosts most of their employees, many of whom are crucially dependent upon the services the state supplies to ensure they can turn up at work each day.

Until this year Barclays thought it could get away with hiding this information - and the only reason they can't now is the result of action by the tax justice movement - but the point is bigger than that. Barclays - a bank that had its foundations in Norwich Quaker meeting, where I am a member - has forgotten its Quaker roots. It is no longer a member of society. It has, using tax havens, effectively declared war on the society on which it is dependent just as have other companies around the world who have refused to pay the tax that they owe to the countries where they really earn their profits.

In its most extreme form, tax haven use of this sort can be seen to be a direct assault on democracy itself, and so on the societies that democratic governments represent. Although we have long said this, the clearest evidence arrived, again, in June when the biggest firms of accountants in the world - PricewaterhouseCoopers, KPMG, Deloitte and Ernst & Young, or EY as they now wish to call themselves - published a joint advert in the Hong Kong press attacking pro-democracy demonstrators because, they claimed, they undermined the rule of law and threatened the viability of the tax haven activities that those firms claim provides the prosperity of that jurisdiction. The reality is, of course, that it provides the prosperity of those firms in Hong Kong, which is something quite different. This statement, I suggest, represents the clearest indication we have had to date of where the sympathies of these professional firms lie in this debate and what we can say for sure is that

they're not on the side of communities, democracy, the state, taxation and of all those who are dependent upon the services that taxation provides.

If we as Quakers think community matters then it is under attack, and it is tax that provides the means for its preservation and defence. Peace is, I suggest, dependent upon the success of tax justice because there is, marching at the doors of the democratic state a powerful army, fuelled by a small but exceptionally wealthy minority who have already captured tax haven states as the location from which they can launch their assault on the foundations of the society in which we believe and live. If peace is to be maintained then we have to work to secure it.

Tax justice and truth

When we began to define tax justice one of the first things we had to do was truly understand what those whose behaviour we opposed were really doing. We knew that tax havens were a problem but when defining just what those places were, and what they did we ran into difficulties. With more than 60 places in the world that we considered to be tax havens, including the UK, the sheer variety of tax abuse that they facilitated was both too wide to be encompassed by one description, and also too broad to suggest that tax abuse alone was an adequate description of what happened in those places.

Tax havens do not just offer low tax rates, although most do. Some offer complete banking secrecy, perhaps through the supposedly numbered bank account that it was claimed hid everything from view, or at least so they thought in Switzerland until recently. Others, like the Netherlands and

Luxembourg and our near neighbour of Ireland, sought to earn revenue for their local accountants, lawyers and bankers by letting international trade pass through their territories, at least on paper, with little or no tax paid on the high profits recorded in those places.

There was, however, one very common unifying feature that we identified amongst so-called tax havens, and that was secrecy. Eventually I gave up with the fruitless task of seeking to define a tax haven after co-authoring a book on them, and instead defined something else, which I called a secrecy jurisdiction. These, I suggested, are places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain with that regulation being designed to undermine the legislation or regulation of another jurisdiction. To ensure that those people not living in the secrecy jurisdiction can get away with using its regulation the secrecy jurisdiction also creates a deliberate, legally backed, veil of secrecy that ensures that those from elsewhere making use of its regulation cannot be identified to be doing so.

Now that may sound a bit complicated but it was, in fact, the success of that definition, which is now quite widely used in policy debate, which in turn led to the successful challenges to tax havens that you may well have heard about in the press over the last two or three years. What the definition does, in effect, say is that those people who use tax havens do so quite deliberately to prevent the truth being known about their activities. So, for example, multinational companies hide their sales and profits in those places so that we do not know about their tax avoidance.

To challenge this practice I came up with an idea right at the start of my work on tax justice. This is now called country-by-country reporting. This is an entirely new system of accounting that in essence requires a company to publish data on its activities in each and every jurisdiction where it trades. This idea has been fought, tooth and nail, by the accounting profession and by the businesses they represent but despite that it is rapidly winning support now because the governments of populous states around the world have realised that if they share one thing in common it is a shortage of tax revenues.

As a result in 2013 an unlikely champion of country-by country reporting emerged onto the international arena in the shape of David Cameron. As a result of lobbying from right across the tax justice movement, and especially from the development NGOs who have, without exception, embraced this demand, he made transparency on tax issues one of the key features of his presidency of the G8. As a result last year I sat in Lough Erne in Northern Ireland at his G8 press conference and heard him say country-by-country reporting would become a feature of multinational tax reporting in the future. The object, he said, was to ensure that no company could hide the truth about what it was doing from those countries where they might owe tax. No one was more surprised than me and it was good to be there when this happened. I'd add one other thing as a result: please don't say campaigning does not work. In this case we have literally shown the truth will come out.

The same sort of progress has also happened in the tax justice campaign for what we call automatic information exchange. What that means is that we have demanded that tax havens must report to countries like the UK the

identities of all those people from populous, relatively high tax states, like ours, who maintain accounts in tax havens that mean they may be avoiding or evading tax. Again, for a long time this made me and my fellow campaigners deeply unpopular in many tax havens, to put it mildly. They told us nothing like this would ever happen. Indeed, the UK Treasury told us in 2009 that we were daydreaming if we thought that this was technically possible. And yet at the G 20 last year a commitment to automatic information exchange was made by the OECD, who are the regulator of international tax agreements. Because of US pressure many tax havens are already beginning to cooperate with this process, with the US version of these deals coming into effect on 1 July this year and with many of the UK versions to follow soon. The secrecy of many tax havens, including all those under UK control, is going to be massively reduced as a result. Again, the truth will come out.

That is what we campaign for, and that is what tax justice is about. We have not by any means secured all the data we need as yet, and a lot of it will remain hidden from public view for the time being, especially with regard to multinational companies, but progress is being made as a result of our dedication to this Quaker testimony.

Tax justice and equality

We have never forgotten throughout all our campaigning why we undertake our activities. I'm well aware that many have said, often, that John Christensen and I, in particular, have been on a giant ego trip when campaigning for tax justice. I can assure you, nothing has been further from the truth.

This campaign has been, and always will be, about improving the lot of those ordinary people for whom society, working together, can provide so much more than would be the case if each worked in isolation. That is not to undermine the role of the individual: there is, of course 'that of God' in each of us, and we respect and uphold that. But, crucially, we know that if that is true, and each of us is to fulfill our potential as best we are able, as I believe appropriate, then we all, without exception, need a helping hand from each other. That helping hand cannot, of course, always be provided by the state. We make no claim that this is the case. But equally, if a person is hungry, or is living in fear, or is suffering from the economic deprivation that is all too common in our world, or has not enjoyed the education that matches their abilities, or suffers the consequences of ill-health or disability, or is discriminated against by others without protection for whatever the reason, then this ability to reach out does at the very least require the intervention of the state to protect those in need and very often it needs the state to intervene. There can be no equality without this intervention because some will inevitably prosper better than others when these foundations for justice are denied.

It is our belief that a progressive tax system which does require those with higher income or wealth to make a larger proportionate contribution than those with limited resources is a pre-requisite for this equality. So too is it essential that this tax system be matched to a social security system that reaches out to provides for all in need. Only when both such systems exist and are integrated are the fundamental building blocks for a society in which all, whatever their circumstances, have an equal chance to flourish in existence.

This is why we have opposed multinational companies when they strip money out of developing countries and so deny this equality of opportunity, not only within states, but between states.

And this is why I have spent so much time researching, publishing and talking about the tax gap in the UK. This is the difference between the amount of tax that should be paid if our laws worked as Parliament intended and the amount that is actually paid. There are only two tax gap estimates in this country, one from HM Revenue and Customs, and the other from me. The official estimate is that this gap is about £35 billion a year. My own estimate is currently being updated but let me assure you, the result will be a figure around three times that sum. I think that maybe £100 billion of tax is not paid in this country each year.

Now I'm entirely realistic: there is no way to collect all this missing tax because tax evasion, which is by far the largest part of this, will always happen. Indeed, because it is so prevalent I can guarantee that some in this room will partake in it, whether we like it or not. But the result of this under-collected – and underestimated- tax gap is that the current government has been provided with the perfect excuse that it has always sought to cut the level of government services to those in need of them in this country.

Our argument is that if we had tax justice and closed at least part of the tax gap then these cuts would not be needed. I suspect that every Meeting collects for a food bank right now, and I welcome and applaud that, but the goal of tax justice is bigger: we want the missing billions in lost tax that would mean we

wouldn't need a food bank because every person in this country could live with the dignity that they deserve. That is why equality features so large on our agenda.

Tax justice and simplicity

I think that every Quaker knows that simplicity is not simple. I have to tell you that the same is true for tax. I would love a simple tax system. Who wouldn't? I also have to assure you that if you believe in peace, truth and equality then a simple tax system is not possible. We live in a complex world, made up of complex people who want to do complex things, quite often in more than one place at once, with interactions between different taxes in different places being inevitable, and that means that there is no way, if we are to collect the right tax, in the right place, at the right time and at the right rate, that a simple tax system is possible.

In tax justice terms simplicity has, then, to mean something else, as it does, of course in many of our lives. It is not a compromise. Nor is it artificial, nor does it mean going without that which we need. What simplicity does mean is that we must focus upon essentials and that is true of tax as much as it is true of life itself. So, as far as I'm concerned, when it comes to tax simplicity means focusing upon the transformational effect that tax can have upon the lives of people in this, and other countries, if everyone does pay the right amount of tax, in the right place, at the right time and at the right rate.

Developing countries would, if this happened, cease, in a fairly short period, to be dependent upon aid except in the case of emergency situations when, of course, the international community should step in.

And, as I've just explained, if we had tax justice in this country then it is likely that there would be no need for austerity as an economic policy, and all that goes with it. We could enjoy the public services that we need.

In addition, if we had tax justice we would redistribute income and wealth to reduce inequality both in this country, and around the world and, as we now know, this improves the quality of all people's lives when we're suffering the scale of inequality we now endure, including the lives of those who would forego that income and wealth.

What is more, if we had tax justice then around the world more people could participate in truly effective democracy at both national and local levels, and enjoy better international coordination and representation so that people could be empowered within and by their own communities.

These are not simple goals. But they are, I think, totally consistent with our understanding of simplicity.

So where's the apostrophe when I said at the beginning that I think tax justice is a Quaker's concern?

I began with some personal comments. I explained why I'm involved with tax justice and that this is a Quaker's concern. The ' in that statement is firmly

located between the R and the S. What I hope I've explained is that the call for tax justice, to which I have now dedicated more than a decade and which has come a long way in that time because of the enormous work undertaken by thousands of people worldwide, could be and I think should be the Quakers' concern, with the apostrophe after the S.

George Fox did not, I think, have a limit to his ambition. Nor did he recognise the constraints that would have impeded so many. I am not for a minute saying that all that has happened in tax justice has been down to me, or John Christensen, or the other handful of mainly middle-aged and grey-haired people who started this movement because scores of organisations and thousands of people have played a massive role since then. But if there is one thing that we have shared in common it has been a simple, fundamental truth that we can make the world a better, more peaceful and truthful place by promoting this cause. We have not in doing that recognised the constraints that more experienced campaigners might have foreseen. Nor have we been put off by the enormous odds and massive resources that have been used to challenge us. That is because the tax justice movement has always, I think, enjoyed a faith that a better world is possible. The varieties of that faith might be as broad as the range of faiths that we will find in our meetings. But, as a result, in those quiet moments when courage has been needed we have found it, and still hope to do so in the challenges that are to come.

My message, therefore, is at the end of the day a simple one. We do not need to be discouraged by numbers, or odds, or the influence of the powerful, or by the apparent smallness of our voice. What we need is the courage of our convictions, an acceptance of the gifts we have been given, a quiet faith and

the confidence to speak truth to power. That is what tax justice has, I think done.

In practical ways, through the support, for example, of the Joseph Rowntree Charitable Trust, and in the way of friendship through support from Meetings, Quakers have sustained me on that journey. Thank you. I hope that this is a path that we can and will continue to travel together, because there is no doubt that the world is very much in need of the benefits that tax justice can bring.