Economists offer no solution on tax

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The EU held a seminar entitled 'Corporate tax competition and coordination in the European Union' on 25 September and it was my misfortune to attend.

The seminar featured papers from Europe's leading tax economists, but left me with the question I asked of them publicly during the day, which was "so what?" The reason for asking that was simple. The papers presented showed that the economic case for tax competition was not proven, but they thought it a good thing anyway; that profit shifting takes place, but only with regard to Germany (when everyone knows that this is clearly a false conclusion); that these economists are only able to build tax models of a single economy, but that they are then willing to extrapolate the results across economies, and so on.

Economics is said to be a dismal science. This day proved it. This was undoubtedly the best Europe can do on this subject. But all it proved was that economists have either got a long way to go, or they are offering the wrong criteria for assessing taxation. Or maybe both.

As I also said during the day, the economists all seemed to assume they lived in a world free of accountants, lawyers, trusts and other such obstacles to progress to economic equilibrium. Whilst they might like to believe this true, and can even see the welfare benefits of that being so, it isn't. In that case a dose of reality is what is needed, and economics right now is simply unable to offer this, the required assumptions that underpin all its current analysis being so far removed from any form of reality that it is almost irrelevant to this debate.

Which is a sad indictment of the subject in which I graduated (but about which I thought much the same things nearly three decades ago).