

## The politics of tax

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I've been musing as to why the Neo-Conservatives are so keen on the Tax Justice Network. The reason is, I think, simple. They are dedicated politicians. Whilst I cannot deny a political element to what TJN does, simply because I think all actions related to tax and any where choice exists in the public arena must have that overtone, I do not think of TJN as a political network. Nor do I think of it as one that promotes a political opinion. I suspect its members would agree.

We don't pronounce on tax rates. We think those are the choice of democratically elected governments.

We don't pronounce on priorities in government spending. Again, we think that is the realm for political parties, and for democratically elected governments.

And apart from these statements indicating a clear belief in democracy, that's as political as they go.

What we do believe is that government is a key component in the well-being of any economy. Which means we support the broad economic structure of society common throughout the EU and developed democracies the world over, on which there is remarkable consensus on this point. But we don't promote the Nordic model of society which is in many ways out of step with the mainstream, even if some of us see its attractions. The reason is simple. It's based on a particular culture that does not exist elsewhere.

What we do promote is the obligation of the taxpayer to pay what is due by them in tax to whichever government it is owed to based on the best possible assessment of where the economic benefit of the transaction that gave rise to that income arose, and we like those liabilities to be paid on time. Put simply, we promote compliance with the law, nationally and internationally with regard to tax. And we oppose all spaces that provide opportunity for tax liabilities to be hidden behind veils of secrecy, because that usually promotes illegality. We do not condone that.

Even when it comes to things like flat tax, which we have opposed, the opposition has been based on two things. The first is that, as the IMF has recognised to be the basis of our argument; those who promote flat taxes do so precisely because they do not accept the current consensus that suggests government does have a vital role to play in society. The quotation from Alvin Rabushka, the inventor of flat taxes, which he gave me permission to reproduce in my work on this subject proves the validity of this. Secondly, as my work for the ACCA on flat taxes proved, the claims made that they are simple and prevent tax abuse are quite simply wrong.

This demonstrates my point. We believe in the broad consensus that democratic governments willing to engage in their economies do promote the well being of their citizens and that the mechanisms they use to do this must be both efficient collectors of revenue and must do so equitably.

In that case, why do I dismiss the Neo-Conservatives and their opposition to what we're doing but without using the language that others have resorted to, since I presume them honourable even if horribly misguided? Simply because if we support the current almost universal consensus on the way society is to be structured and the rule of law with regard to tax then their strident opposition must be based on two things. The first must be that they believe in a very different structure for society, and I think it fair to say that they do. They would have a society in which the market ruled, regulation was largely eliminated and those unable to swim in this system were allowed to sink. Secondly, they also excuse tax evasion as legitimate activity.

To give an example of this last point it is possible to come closer to home, to a publication of the Institute of Economic Affairs, which is as keen to promote the idea of flat taxes and tax competition as the American Right. In their 2005 publication by chartered accountant Richard Teather entitled "[The Benefits of Tax Competition](#)" he said (page 81) when discussing a taxpayer who might hide income offshore and not declare it to a tax authority who has the legal right to tax it:

*While I am not seeking to condone dishonesty or criminal activity, from an economic perspective this is merely another example of tax competition: indeed, it is often necessary behaviour in order to take advantage of tax havens. Without the willingness of some to engage in this sort of activity, tax competition would be much less effective and therefore reduce the benefits that flow from it for the rest of us.*

Perhaps it's no surprise that Teather ended up advising the States of Jersey, but few accountants, even fewer tax administrators and, I'd venture to suggest very few people who value the societies they live in would find this approach to tax acceptable when it is quite clear that the claimed economic benefits to society flow from illegality. Indeed, when the Right seem to agree that one of the few duties of the State is to protect property rights it is curious that they are so keen to ignore the property rights of the State itself.

In the light of this I don't call the difference between the TJN approach and that of these groups political. I do think it an issue of choosing whether you want a society in which decency, respect for the law, and the mutual obligations we accept to each other are respected in a world where the power of the ballot box holds sway, or not. We are on the side of the ballot box and mutual obligation. It's that the Right don't like. But their views mean they deserve to be left well alone.

That's why we do so. We'll stick to the more mundane, but none the less vital issue of suggesting ways in which the tax that is due to the governments of the world might be best collected for the benefit of those for whom those government's have responsibility.