The World Bank paper

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I have mentioned I am at the World Bank to deliver a paper. I cannot publish that paper as yet: the Bank will do so in due course.But I can say what it was about.

Using the auditing technique of analytical review I sought to explore whether the loss of $160bn Christian Aid has suggested to occur annually as a result of transfer mispricing from developing countries was plausible.

I suggested that the incentive to transfer misprice is a function of two variables. The first is the differential in tax rates, the second the ability to hide it from view.

The first part of my paper reviewed international tax rates. It is clear that differentials on these are much higher than existing academic literature has suggested likely. I proved this using extensive data analysis. The incentive has, therefore, been understated to date.

Then I explored four issues:

a) That developing countries and the extractive industries are especially prone to this abuse. I used evidence from Tanzania to demonstrate this, but it is typical.

b) That multinational corporation accounts are designed to hide this issue from view, which was based on an analysis of International Financial Reporting Standards showing that these are deliberately designed to avoid the issue, and admit that is the case;

c) That the use of secrecy jurisdictions my multinational corporations suggest they are massively over-represented there, and this in combination with multinational corporation's accounts creates an impermeable opacity that disguises this abuse.

d) The massive over-presence of the Big 4 in secrecy jurisdictions has a reason: maybe it is to service transfer mispricing.

I concluded it was plausible that $160 bn could be hidden from view. That doesn't prove the number is right: it just suggests it is in the plausible range of numbers.

I have had good feedback on the paper. My conference discussant did not agree. He was scathing. Criticism is one thing, outright abuse (saying I made numbers up) is another. It was also quite surprising that he claimed there was no evidence of transfer mispricing in secrecy jurisdictions or the extractive industries. He lost the audience at that point. These were implausible hypotheses to, I think, all present bar him.

It was an extraordinary reaction to a paper and he fled the conference after delivering it, which may say a lot. I’d love to know what his motivation was, but I have had apologies from the World Bank and the conference organiser.

I know there is no agreement on all these issues. But if my paper did one thing here it was to prove that denying the reality of the issue is not now a possibility. That was pretty useful in its own right.