

Paradigms can shift

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There was [an article in the New York Times this weekend](#) that showed that paradigms can shift.

As [I've just noted](#) - the OECD's attack on tax havens is not, unfortunately, working. That's because it is working in an old paradigm. It's the paradigm of tax havens. But the OECD needs to move on. Only then can it beat this curse.

That shift is possible. I'll give an example. In 2008 I, and colleagues in the Tax Justice Network, were starting work on the first Financial Secrecy Index. I was at the same time working with Ronen Palan and Christian Chavagneux on our book '[Tax Havens: How Globalization Really Works](#)'. We struggled with the tax haven problem - and just what it was. In the end I gave up with defining a tax haven and the book (without using the term secrecy jurisdiction) and the TJN (by explicitly using the term) moved towards redefining the language of offshore. My exploration of that issue, [written in 2009, is here](#). I'd venture to suggest you really won't understand what the offshore issue is really all about unless you read it.

The important point was that we pretty much gave up on the term 'tax haven' that no one could adequately define and replaced it in most of our work with the term secrecy jurisdiction. I offered then what I'm told by others is now pretty much the standard definition of the term which is:

Secrecy jurisdictions are places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction. To facilitate its use secrecy jurisdictions also create a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so.

Notice how often tax is mentioned? Not once.

Low tax is offered by these places but is just another regulation that can only be used if secrecy permits it. The point is a critical one: secrecy is key.

Now in 2008 we began to say that, but had no idea if the world would respond as we wanted it to, but that response was critical if we were to explain it was not low tax per se that we objected to in the places often called tax havens; it was the fact that the secrecy they created permitted criminal use of those low tax rates that we objected to in the main (but not solely: corporates abuse these places legitimately, albeit secretly).

In 2012 I can confidently say the world has responded. That NYT article was by a friend of tax justice, Robert Morgenthau, but that's not the sole point. [He said:](#)

[S]ecrecy makes offshore tax fraud almost impossible for law enforcement to detect. When I was the Manhattan district attorney, we learned of offshore accounts only through whistle-blowers, cooperators and serendipity.

That's the point we've made key. And as he added:

Offshore secrecy jurisdictions provide the perfect cover to funnel money and arms to rogue states and non-state actors.

There's that phrase, now in common use. Pascal St Amans of the OECD used it last week.

We've changed the language for a reason. It's not tax information exchange that we need to crack offshore abuse. It's shattering secrecy that is key to that. And only [automatic information exchange](#) will do that job. The OECD haven't shifted paradigms yet although [even some in Switzerland have](#).

The OECD will catch up with us. Then we'll see the consequence of the paradigm shift. And given what UBS now know that may take less time than many think.

Have no doubt: paradigms can be shifted.