

Let's describe moral hazard as what it really is: it's ...

Published: January 13, 2026, 1:44 pm

I'm speaking at the launch conference of the Sheffield University Political Economy Research Institute today. My theme is The Courageous State and the right to tax.

I argued why the state has the right to tax on this blog last week. I won't repeat that in detail now now: suffice to say that the state's right to tax is a property right, and one it has a right to enforce. The difference in the case of the right to tax is that this property right belongs to the state, which is actually the foundation for and protector of all other property rights since all are based on law created by the state. That makes it a superior right that means all other such rights are conditional on tax having been paid.

Implicitly we know this. Even those who abuse tax know this. Most of all those now seeking to capture the state for private gain know this and given that the entire Conservative government programme is dedicated to the aim of capturing the state for private gain this is important.

Take one example in the form of banks. Bankers now know that whatever risk they take they will be bailed out with impunity. They have captured the capacity of the state to tax for private gain.

So have G4S. They'll suffer a £50 million loss on their Olympics failure, but that still leaves them with £234 million of revenue on a contract on which it looks like they have failed, spectacularly.

Take railways. The First Group handed back its Great Western franchise to avoid losses but is now a lead bidder for the West Coast route. You couldn't make it up if it was not true.

The whole of PFI is based on this premise.

All these are exercises in capturing the state for private gain. The right to tax is being exploited for profit by a tiny elite who have given up thinking about how business can innovate and service customers to make profit to concentrate instead on pillaging much easier pickings based on the right of the state to charge tax, which right has been

corrupted by what I call cowardly politicians who run away from their duty to the state to service the interests of their friends in big business, where in due course those politicians will, no doubt, be fatly rewarded.

This is a definition of corruption, of course. Indeed, in developing countries that is exactly what we would call it. It fits perfectly into Transparency International's definition of corruption in those places.

It is what we also need to call it here. Instead we give it the term moral hazard, but that is far too kind. Let's name it for what it is. It is theft of the state's property right that should be exercised for the common good through the power of parliament for the enrichment of a tiny minority. And when that happens the future of the state is in jeopardy.

We need to take that seriously