

Memo to the UK: the only way to win a race to the botto...

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From the Tax Justice Network [blog](#):

From a *speech* by UK Prime Minister David Cameron:

“Because the truth is this. We are in a global race today. And that means an hour of reckoning for countries like ours. Sink or swim. Do or decline.”

Now, he doesn't spell out in detail what that race is. But we at TJN, like many others, have watched this government – even more so than the last Labour government – enthusiastically and shamelessly engage in tax and regulatory competition, pernicious processes of *beggar thy neighbour* on tax, financial regulation and other public goods, in a global race to the bottom on standards. We know what he means. Here Mr. Cameron would be advised to consult the US crime expert [Bill Black](#), who, writing last March, saw the same thing from across the Atlantic, in the context of a particular piece of legislation. He cites the movie War Games where Matthew Broderick plays a hacker who gets into Department of Defense computers in a game of Global Thermonuclear War — a game in which the only way to 'win' is not to play:

The JOBS Act is insane on many levels. It creates an extraordinarily criminogenic environment in which securities fraud will become even more out of control. One of the forms of insanity is the belief that one can “win” a regulatory “race to the bottom.” The only winning move is not to play in a regulatory race to the bottom. The primary rationale for the JOBS Act is the claim that we must win a regulatory race to the bottom with the City of London by adopting even weaker protections for investors from securities fraud than does the United Kingdom (UK).

It would be one thing to engage in a race with other countries to provide the best and broadest education, and the best infrastructure, and so on. Those things require tax, the rule of law, good regulation, and so on.

It is quite another thing to engage in what Britain is doing: a race to cut taxes on the most mobile forms of capital, in order to attract the world's hot money – those forms of

capital that benefit the wealthiest sections of society, leaving the poorest sections to pick up the tab. A race to degrade financial regulation in pursuit of the hot money.

Here is the basic offering of a financial centre, pitched to a holder of global hot money: "We will not steal your money. But we will help you to steal other people's money." That stealing may take the form of foreigners evading taxes (stealing foreign taxpayers' money) or setting up unregulated insurance subsidiaries that eventually blow up and almost bring down the global financial system (again, ultimately stealing from foreign taxpayers.)

There are two problems with engaging in such a race to the bottom.

First, if you try to get rich helping people steal other people's money (and in our experience, this always involves the rich robbing the poor) then other players in the race will play the same trick back on you. The second problem is that in a race to the bottom the stealing and criminality that you assist in – which is supposed to harm only people in other countries – through the inexorable logic of the race simply has to get worse and worse, and eventually it will eat one's own country. And third, someone once said that the problem with rat races is that even if you win, you are still a rat. But it's worse than that here, because to win is to lose. As Richard Murphy *notes*, in a different commentary on Cameron's words:

"The destination is the bottom."