

# The biggest threat to democracy comes from companies li..

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As the [Daily Mail has reported](#) (amongst many others):

*The boss of Google last night said he was 'very proud' of the elaborate structure that helped the search giant slash more than £200million from its UK tax bill last year. Taxpayers were left to fund the shortfall after Google contributed just £6million to government coffers — despite making sales of £2.6billion. MPs on the influential Public Accounts Committee last month slammed the group's methods as 'immoral'.*

*[In contrast] Google chairman Eric Schmidt said he was 'very proud' of the elaborate structure that helped the search giant slash more than £200million from its UK tax bill last year Mr Schmidt, who is estimated to be worth £4.6billion, said: 'We pay lots of taxes; we pay them in the legally prescribed ways. I am very proud of the structure that we set up. We did it based on the incentives that the governments offered us to operate. It's called capitalism. We are proudly capitalistic. I'm not confused about this.'*

I guess I have to admire the honesty.

I also have to name this behaviour. I think it's not just immoral; in Google's terms this is definitely doing evil, something said it would never do.

Is it too much to say such a thing? Is it wrong too to recall the comment of former British Prime Minister Edward Heath, who described Lonrho in the 1970s as "the unpleasant and unacceptable face of capitalism". Is it wrong too to recall the response of Lonrho chief executive Tiny Rowland who said that he would not want to be its acceptable face? Hasn't Schmidt just done the same thing?

I think all such sentiments are fair. But I need to say why, briefly. Firstly, by deliberately avoiding tax Google has shown contempt for the states that grant it the right to trade within their jurisdictions. In the process it shows contempt for their laws, the privilege of limited liability that they grant, their tax systems, and most of all their right to impose their democratic will on those who trade within their domains. It is, not

to put too fine a point on it, challenging the whole structure of our society which has proved to be the foundation of our wealth. To describe that as an act of aggression is an understatement. It's an understatement because this is an attack on democracy itself.

Second, this is an attack on Google's shareholders. The money hidden in Bermuda cannot be distributed to the shareholders of Google without tax being paid: Google says it will not pay that tax so these funds are beyond the shareholder's reach. The shareholders seem not to care: they think the markets will value this unreachable cash dollar for dollar so they believe that it turns into a capital gain. But that can't be true forever: all gains are based on income prospects. Google is in the long run denying its shareholders an income prospect. That will be valued in the end and this will reduce shareholder value. So this is definitely not an action in long term shareholder interest - which is what matters. Shareholders too often get these things wrong: they did pre 2008 remember, thinking that if the market prices something in the short term all will be right in the long term. The behaviour that Google typifies is another case of a forthcoming market crisis when it is realised that this business model, like that of the banks pre-2008, is utterly flawed.

Third, this treats Google's users with contempt. It's Google saying, we can free ride the system and you can't. In effect it's Google saying it can free ride its own users. More than that, it's not only free-riding them, because tax is now a zero sum game in the face of a deficit, with it being a fact that if someone does not pay then either someone else has to or services are cut, Google is saying it will not just free ride the system, it will positively seek to harm the interests of its users by doing so. So, it will seek to deny them the state services they need. Or it will seek to increase their taxes. Or as I said to students at Imperial College London last night, it will seek to deny them their education, and to deny them the hope of a job because it is refusing to pay the tax that would create the opportunity to give them a real job when they leave education. That's what Google is saying, and doing.

Is that capitalism? Well, if it is I reject it. And I do so happily.

Because that view of capitalism is not just contemptible, it's the face of real political extremism in this world now. The biggest threat to democracy does not come from the left, or even religious fundamentalism. It comes from companies like Google and those who assist them.

And that's why I oppose Google's capitalism, if that is what it is.