

# There is no moral equivalence between tax evasion, tax ...

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There are occasions, I admit, when I wonder just how far apart people can be and still think they have some affinity for the same political ideas. Tonight has been one such occasion. The Fabian Society [sent me their publication](#) to celebrate 70 years of Beveridge, and since this is something both well worth celebrating, and which I have been asked to write about I gave it more than a scan.

Having got to the end I came [to an article by someone who I admit I had not heard of called Nick Pecorelli](#). The byline says he is [Associate Director of The Campaign Company](#), but that seems a little confusing as it's clearly a decidedly part-time role, but let's leave that question mark aside and instead look at his argument.

He says that the world fits into two types of people. The first sort, he says, are justice seekers embrace an all encompassing notion of fairness. I think it's fair to say he thinks they populate the left. Then, he says, there are responsibility seekers. These people, I think we can safely surmise, are on the right. They do, he says:

*hold a tougher view of human nature. They emphasise that our fate is in our own hands, and that, if we are able-bodied, whatever our circumstances we can and must better ourselves. For responsibility seekers, society is an intangible notion but government welfare is likely to be taken advantage of by 'shirkers.'*

There's an odd fact I hope I am not alone in noticing when reading the article. Having defined justice seekers Pecorelli then proceeds to ignore them. It's as if only responsibility seekers matter, for it is they, their beliefs and their policies to which he gives all his attention. We end up with the perverse fact that the final article in this Fabian paper on how Labour should tackle the welfare debate is dedicated solely to how to locate debate on the issue in terms the Tories will find comfortable. Can I be alone in thinking firstly that Labour's been here before and secondly that this is not now, never has been and never will be the way in which one wins a debate? Conceding all ground to your opponent at the outset is a certain way to lose.

I have to admit Pecorelli appears dedicated to that task of losing. Having devoted almost two thirds of his article to asserting that responsibility seekers both exist, and

represent about one third of society (which, because of his dedication of space to them I can only presume he thinks the most important third of society) he then asks how Labour might win the welfare debate and says this:

*Quite simply it should focus on the war not the skirmishes, and to do this it must return to first principles and find the common ground between responsibility and justice seekers.*

*Two principles underpinning Beveridge's case have been lost in the mists of time. The first is the contributory principle. If someone contributes more they should get more out in times of need than those who have not.*

*A second Beveridge principle is the subsistence principle. Beveridge was very clear that unemployment benefit should be set at a subsistence level. To pay more is not only unaffordable in the current climate, but it prevents governments' shaping a welfare system that makes work pay.*

*To these principles Labour should add the moral equivalence principle. Tax evasion may involve far greater sums than cheating the benefit system but that does not make it more abhorrent. Labour too often vocalises the case against the former, whilst meekly stating the case against the latter. By simply stating these three principles Labour can begin to re-engage responsibility seekers in a debate about the future of welfare.*

I could spend the rest of my Saturday evening gasping at this analysis, its embrace of the merit of subsistence (let's call it poverty for ease) and his willingness to believe that we should only look after those able to look after themselves. I could, but I won't because I will instead turn to his third argument on moral equivalence. Pecorelli uses the term in a way that I think purely analytically unusual, but I'm going to ignore that. I am simply going to look at his suggestion that Labour must embrace the idea that tax evasion is no different to and no more morally repugnant than benefit cheating.

Where on earth did he get the idea that Labour has thought this? Did he look at the facts? [I have, in a blog published in 2010](#) which related solely to the last three years of Labour's time in office. During that period Labour spent £17.5 million on adverts tackling benefit fraud, as it called it. And it spent £633,000 on adverts tackling tax evasion. This was despite the fact that benefit fraud, at most, cost £3.1 billion a year then (and I think that overstates the cost by including error as well as fraud) whilst tax evasion and avoidance was in HMRC's estimate over £40 billion a year during that period, and as is well known, in my opinion dramatically more than that. As I noted in 2010, the effect was that Labour spent 624 more proportionately on adverts tackling benefit cheating than it did tax cheating. If anyone can suggest that means Labour treats these two as moral equivalents then I am, to be polite, flabbergasted. The claim simply does not stack up.

There are, however, good reasons for not treating them as equivalents. [As I have also](#)

[shown](#), more recently, of the 41,000 cases of deliberately marketed tax avoidance not yet addressed by H M Revenue & Customs have a total cost of £10.2 billion or an average of £248,780 each. On the other hand, the average case of local authority benefit cheating identified in a report, also in November 2012, [from the Audit Commission is £2,166](#). There were 54,000 such cases.

Now, no one says that 54,000 cases of fraud should be ignored. I don't. But let's not for one minute suggest there is equivalence between these supposed activities. Or incidentally between benefit fraud and tax evasion, of which the cost may be, in my estimate, more than twenty times greater. They are simply not in the same league.

Tax avoidance, especially, and to no small degree large scale, high value tax evasion, is highly sophisticated activity that in the case of evasion is criminal. It is undertaken by those who have no need to commit it to ensure that they can meet their reasonable needs. This is a crime committed out of pure avarice. Its aim is to accumulate. Its object is to seek status, power, and no doubt control. It is perpetuated with considerable aforethought. Amazingly there is a whole industry of lawyers, accountants and bankers who are willing to facilitate tax avoidance and tax evasion for their clients (although many will deny evasion, and in some cases that will certainly be true). There are even whole states whose legislature has been effectively captured to facilitate this activity or crime. And the consequence is serious. Not only is the tax loss to the UK, at maybe £95 billion, enough to transform the whole approach to our macro economic management, and indeed our whole approach to the management of social need in this country, it is the dedication of this industry to the perpetuation of wealth inequality that creates the environment in which so much social injustice now exists.

Benefit fraud is, on the other hand, with odd exceptions, petty crime. That's still important. But to pretend that shoplifting has the moral equivalence of pre-meditated murder, which Pecorelli's argument would suggest, is ludicrous. We know that is not true. We rightly dedicate different resources to dealing with each because their impact is very different. We even know their motivation is different. I'm still not excusing crime, but there's not a shadow of doubt that some benefit cheating is motivated by a desire to simply provide the basics of life to a family. I don't excuse the way it is done, but I can understand the motive. I cannot say the same of tax avoidance and tax evasion. Morally they are simply not equivalents, and I am shocked that the Fabians have published an article suggesting that might be the case.

Tax evasion and avoidance demand greater attention than benefit cheating and have not had it.

If tackled tax evasion and avoidance have the power to change the UK's economic narrative by providing, at least in part, an alternative means of tackling the deficit.

And if those facilitating tax evasion and tax avoidance were tackled we would find that inequality would fall, a level playing field for UK business would be created where

cheats cannot win over honest business, an environment in which investment could pay rewards which are at present only available to financial manipulation could be created and so prosperity and employment would rise, plus many of the avenues for crime would be closed. Again, there is simply no moral or economic equivalence with benefit cheating.

In that case it ill becomes the Fabians to even publish an article suggesting such equivalence exists. And it ill becomes them to suggest that the only way to tackle these issues is to suggest that benefit cheating is as significant as benefit fraud when that is so obviously untrue.

Yes, benefit cheating has to be tackled, I agree.

But any wise political party knows you tackle priorities that achieve your goals and transform real lives first. Tackling tax avoidance and tax evasion can do that. Labour should be saying so. And it should at the same time be saying in a way it has never done before that of the two tax crime is much the more serious, and the one demanding of most attention. Only then can it shift this debate onto its own territory. And right now that opportunity exists. Labour has to grab that with both hands.