

The UK is not an open economy. It's time academics real...

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The whole model of tax competition is based on the idea that in the modern world all countries - at least, countries up to the size of the UK - are relatively small, open economies, that are, as a result, open to any battering that the rest of the world cares to impose upon them if and when they step out of line with the whims of international norms and markets.

Martin Wolf addresses this point in the FT this morning. Admittedly he does so in the context of whether or not austerity measures that may (or may not) have worked in the small Baltic states could be applied to Europe. [His conclusion is telling](#):

*Is Latvia a plausible model for others, particularly for far bigger countries? Of course not. What is possible for very small and open economies is close to impossible, economically — and so socially and politically — for large and relatively closed economies. **The idea that we should view every economy, let alone many economies taken together, as if they were small open economies that do not interact with one another is an intellectual disease.*** It is why eurozone policymakers seem happy to ignore demand. It is also why the adjustment process has been so grim. One can argue that Latvia is a model for tiny countries. But it is simply crazy to think it a model for Europe.

I added the emphasis. But might I suggest the Oxford Centre for Business Taxation take note? All their work in opposing corporation tax, supporting tax havens, and in trying to replace taxes on companies with new forms of VAT is based on the bankrupt premise I highlight. And Martin Wolf's right, they're suffering from an intellectual disease when promoting this idea which has had massively pernicious impact in the UK - not least because big business is the one sector now enjoying massive tax cuts, in no small part due to the assiduous work undertaken by this (in part) large business funded group of academics whose work is based on a fundamentally flawed world view.