

Tax justice is not about big numbers

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Maya Forstater [has a blog](#) and [draft report](#) out this morning via the Center for Global Development in which she asks whether it has been appropriate that, as she put it:

International debates on taxation and development are increasingly informed by a popular narrative that there is a 'pot of gold' for development funding from cracking down on questionable tax practices of multinational enterprises.

I could spend some time questioning the motivation for this report and the fact that if Maya was really serious about getting comment she might have actually consulted those in the NGO community who have been involved with the estimates with which she seeks to engage, but that is not my intention. I will stick to the issues, of which Maya says there are three.

The first is, she says, that NGOs claim that there are huge sums of money lost to developing countries as a result of multinational corporation activity. She challenges this, but admits that:

One thing that's clear is that data are scarce, which in turn makes it hard to find robust and broadly-supported analyses.

I would agree with that: that's why some of us worked so hard to develop alternative estimates. I would readily admit that those estimates are wrong (all estimates are, by definition). I would also readily admit that some are better than others and more recent estimates are definitely better than some older ones, because lessons have been learned. That said though, and as Maya admits, recent estimates, such as those by the [IMF](#) and [UNCTAD](#), put the scale of potential revenues in the region of \$100- \$200 billion which is pretty much exactly where NGOs have placed the bill. Personally I think that may be too high. [I say as such in my latest work on UK tax gaps](#). But who am I to argue with the IMF and UNCTAD? The point is a simple one: whatever the real number is it's big. If this number range includes total world aid then let's not ignore its significance as Maya would seem to want to do. That would just be daft.

The second point Maya makes is that transfer pricing is not wrong, per se. Of course it

isn't! No one has said it is. That's why we've always talked about transfer mispricing. But to say this is a non-issue is absurd. Just as Maya is wrong to dismiss the 60% of world trade data is intra-group when this is OECD sourced. As for the scale of the issue, look at my recent work on [potential profit shifting by just 17 EU banks](#). The profits of those banks did not arrive where they were reported without something looking like profit shifting going on. Maya's accusation falls into the straw man category on this issue. What is more, by defending the status quo she suggests there are no alternatives: that is not true. She ignores the whole vibrant debate on these alternatives that the NGO community have created, and the fact that BEPS may well not have happened without us. That's a pretty big exercise in missing the point.

Finally, Maya suggests that the NGO community are saying that:

Multinational corporations could easily pay more tax at no cost to ordinary citizens either in developed or developing countries.

To which she responds:

Tax policy has impacts on the incentives for investment and employment and therefore on growth and jobs. Policy makers have to pursue not only revenue mobilization, but also efficiency, distribution and growth-oriented objectives in their tax reforms.

Actually, we have never said that there is no cost to collecting tax from multinational corporations: we have said that the benefits of doing so may well exceed the costs. That's simple marginal utility analysis on who might make best use of the money, so Maya has this argument wrong. Her response also wholly misses the point that NGOs and those, like me, who engaged in this debate have made time and again that tax competition increases wealth gaps, results in the misallocation of resources in markets, creates opacity that reduces the effectiveness of corporate governance and so increases the cost of capital and so reduces growth, and imposes real burdens on society. That's what we're saying. Maya does, I hate to say, spectacularly miss the point on this, yet again by obsessing on the issue of quantification.

So, what's all this about? Let me offer some speculation.

First, this is not about serious engagement. If it was Maya would have engaged with and listened more carefully to those involved in preparing such estimates.

Second Maya would have understood that way back in 2003 John Christensen and I pretty much set out to put tax abuse on the map by concentrating on getting multinational corporations using tax havens to abuse developing countries on the front pages of newspapers because we knew no more effective way to effect change. As a strategy she should acknowledge that it has been spectacularly successful. But not once, not ever, has anyone said this is the sole solution to the problems of developing countries. We always pointed out there were many more,

starting with the corruption that tax havens facilitated in them, the problems VAT created for many of them and many more issues besides. I think Maya has been guilty of both misunderstanding and selective reading.

Third, Maya seems to think 2% of tax revenues does not matter. Respectfully, I beg to differ.

Fourth, Maya concentrates only on numbers. And yet we have never used them to do more than illustrate arguments on country-by-country reporting, automatic information exchange, accountability, governance, corruption, development and so, so much more. Frankly the numbers debate moved on a long time ago. What's all this about then?

And last, for now, if we were so wrong, why has so much of what we called for been adopted?

But let me agree with Maya as well. I have just been awarded a grant (of which more anon when paperwork is all tied up) where part of the application by me says:

The project aims ... to move tax justice debate on from ... current major themes of tax havens, tax avoidance by multinational corporations and the impact of these issues on development to how tax can also be used in domestic economies in the UK and elsewhere to build strong and resilient economies that can meet more of their needs from the tax revenues that they can fairly raise from the economic activity that takes place within their jurisdiction in ways that are compatible with other social and economic aims, including the building of long term sustainability and wealth creation.

We know the issues Maya. And we're still ahead of the game. Maybe you need to catch up is the real message, and spending your time on papers like this one is really just a big waste of time, unless there are other motives at play.