

John Kay [has an article on tax in the FT this morning](#) which ends saying this:

*Tax is thus a moral issue. Not because we should take pleasure in paying tax but because the behaviour of well off people, and large companies, should conform to the expectations of most reasonable people. It is not just the rule of law but also a sense of shared values that makes economic and social life possible in the modern state. That is why multinational businesses should not engage in transactions without commercial substance; and why celebrities faced with large tax bills as a result of failed avoidance schemes deserve what they get.*

I agree with all of that. If that's all he'd said I would have quietly applauded the article and moved on, but he didn't.

First, he dedicated part of the article to swiping at some historic estimates of tax evasion and avoidance in developing countries by development agencies. That was inappropriate. First, they're old. Second, they have by and large been refined since. Third, he ignores the fact that no one would even know about tax as an issue without these people's work and most of the developments that have happened would not have occurred without them. It's churlish of him to swipe and not give credit where it is due. And, for the record, I'd say some estimates were wrong, my own included (which was understated) but the process of learning happens that way. He should know better than to suggest otherwise.

And some other estimates are not wrong, at present, including my own on tax avoidance and evasion in the UK which he takes a swipe at via Jeremy Corbyn. His claim that this is wrong is, he says, evidenced by the fact that, he says:

*There is plenty of waste and avoidance – but if eliminating them was painless, it would have happened.*

No it wouldn't: HMRC has been captured from the top down by big business who are making sure this is not happening.

And they are cooperating in the destruction of the resources available to HMRC to deal

with this issue.

And when I have proposed legislation to tackle these issues the government has opposed it.

And let's not pretend for a moment that the failure to regulate companies in the UK is anything but a political choice.

Of the fact that we're becoming a tax haven is also anything but copying the anti-tax attitudes of places like Ireland.

John Kay is just wrong on this issue. In fact his argument makes him part of the problem.

He's also profoundly wrong on the morality and the economics of this issue. He claims that:

*Calculations of the scale of tax avoidance and evasion – like estimates of “tax expenditures” from reliefs and allowances – assume that, in all other respects, behaviour would remain unchanged if tax that is currently avoided or evaded were collected. It would not. Many relevant transactions would not occur at all.*

So, first the implication is that he's happy that these transactions take place even though tax is not paid. Indeed, he'd rather that than tax be paid. That puts him firmly on the wrong side of morality.

But then he assumes that we'd lose if tax was paid. Again, he's just wrong. If tax was paid there would be a level playing field for all business. It could invest knowing it was competing fairly. Cheats undercutting prices would not exist. We would have better, more stable, longer term business. And people would pay more because they could trust those they were trading with. The economy would grow without tax cheating in other words. John Kay's economics is just wrong.

Kay might have come to the right conclusion, but his reasoning was dire.