

International Financial Centres and Small Island States

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I am speaking at a conference in London this morning on the above subject. These are my slides:

IFCs and Small Island States

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Abstract

- * By acting as secrecy jurisdictions small island states are:
- * Concentrating worldwide wealth ownership and increasing the inequality that is now widely seen as destructive for a wide variety of reasons;
- * Reducing the capital available for entrepreneurial activity;
- * Creating opacity that destroys any chance of there being effective market economies in the future;
- * Engaging in tax war that is intended to undermine the tax revenues of democratically elected governments and so their chance of fulfilling the mandates given to them;
- * Consequently threatening our whole western way of life.

The secrecy jurisdiction

- * There is no such thing as an IFC, let alone in a small island state.
- * There are only secrecy jurisdictions in small island states.

- * Secrecy jurisdictions are places that deliberately create legislation for the sole benefit of persons not resident in those places that has as its sole purpose the undermining of the impact of regulation on transactions that take place elsewhere.
- * Elsewhere is anywhere but the secrecy jurisdiction. The secrecy jurisdiction is indifferent on where elsewhere might be and does not seek to find out where the impact of transactions recorded in the secrecy jurisdiction might arise.
- * The secrecy jurisdiction simultaneously creates a deliberate veil of legally backed secrecy that prevents the identification of those making use of that legislation.
- * Recent changes, e.g. on automatic information exchange, do not change this. The chance that useful data is available to be exchanged from secrecy jurisdictions is very remote.

Concentrating world wide wealth

- * There has already been an increase in wealth concentration in the world over recent decades
- * This is a tendency exacerbated by the structures of wealth holding that secrecy jurisdictions have encouraged
- * In particular:
 - * Trustees and their like believe they have a fiduciary duty not to lose money
 - * They are deeply risk averse as a result
 - * Settlers tend not to trust their heirs and encourage trustees to retain funds
 - * Rules against perpetuities have virtually disappeared
 - * The right of beneficiaries to know what is happening in many settlements has been abolished
- * The result is the concentration in perpetuity of vast amounts of risk averse, rent seeking capital that has almost no chance of being dissipated let alone being used for entrepreneurial activity as capitalism intended

Opacity still exists to reinforce this situation

- * There is no evidence most secrecy jurisdiction authorities have any real clue as to
- * The beneficial ownership of companies and trusts;
- * The trading of the companies that they permit to exist;
- * The location of the activities of those companies.

- * The fight against country-by-country reporting by multinational corporations is ongoing and organised very largely from secrecy jurisdictions.
- * There is a very real change all the OECD's efforts may prove to have been vain when their fruits get to be seen by tax authorities in search of real data.

Tax war is still ongoing

- * The downward trend in taxation on capital in all forms is continuing.
- * This activity has been driven from small island states operating as secrecy jurisdictions.
- * The result is :
 - * actual and perceived injustice.
 - * ongoing policies of austerity that are designed to destroy the welfare state in most of the world's advanced democracies
- * The intention is to undermine the state and the well-being of large parts of the world's population to favour a few with capital accumulation that they neither need, have use for or idea as to how to invest for the benefit of humankind
- * If this is not war it is hard to know what is

Summary

- * Small island secrecy jurisdictions:
 - * Create risk averse investment environments
 - * Prefer rents to entrepreneurial returns
 - * Concentrate wealth in the hands of the fiscally prudent
 - * Discourage entrepreneurial activity
 - * Create opacity that prevents effective market based resource allocation
 - * Are destroying capitalism from within as a result whilst undermining democracy and our western way of life
 - * Are increasing social divisions
 - * Are implicitly responsible for the rise of populist politics
 - * Are bringing to an end the neoliberal era that spawned most of them
 - * Are the harbingers of a new age of uncertainty, at best, and conflict at worst

Conclusion

- * There are no redeeming features to secrecy jurisdictions
- * If capitalism is to survive they must be abolished
- * If democracy is to survive they must be abolished
- * If the inequality that is driving the world to political extremes and the risk of war is to be avoided they must be abolished
- * There can be no excuses: the secrecy jurisdictions that are run from small island states that called themselves international business centres are destroying the world as we know it