

What is lacking for the problem of tax havens to end?

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I was asked some questions about my new book '[Dirty Secrets: How tax havens destroy the economy](#)' yesterday. This is part of the reply I gave:

You have launched a New book, called "Dirty Secrets: How Tax Havens Destroy the Economy". What issues do you explore in this book that deepens the debate around tax evasion and tax havens?

We have spent a long time worrying about corruption, tax evasion and tax avoidance, all of which have strong links to tax havens. But I am worried that their secrecy is doing three other things. They are destroying fair competition and large companies and tax cheats are winning as a result. Next they are concentrating wealth in ever fewer people's hands and so are increasing inequality around the world. And as a result, thirdly, people are losing faith in the mixed economies that have in most countries underpinned growth for the last seventy years. To be blunt, tax havens are destroying the legitimacy of capitalism.

A recent review says the book describes the alliance of the wealthy, their advisers and the state. In regards to this last actor, how are different states complicit?

Many tax haven states are complicit in this abuse. Their government's are so dominated by the interests of the financial services industry that they do whatever is demanded by them. But let's be honest, so too is the government of my country, the U.K. Their supposed belief in 'free markets' apparently requires that we keep a whole host of tax havens under British control and yet those same tax havens are destroying our tax system and imposing austerity on most people in this country, who are suffering as a result. This is not about free markets. It is about government's exploiting people.

What about the negative effects of tax evasion on development and the economy?

Tax evasion is incredibly harmful to any country. Tax cheats force honest business to go bust. But it is only honest businesses who invest in new products, services, technology, R&D and, perhaps most important of all, in training for their staff. So growth is reduced by all tax evasion. In developing countries the problem may be even

worse because weaker regulation tends to make it easier for funds to flow to tax havens. Some admittedly then comes back in disguise, often to claim beneficial tax arrangements, but much remains outside the country, which also severely reduces investment and so growth prospects.

Can you tell us about the effect tax evasion has on democracy and how would you say that tax evasion undermines Human Rights? Do you think this discussion has advanced?

I believe tax havens and the abuse associated with tax evasion both undermine democracy. Tax havens are used to deliberately undermine the tax laws of other, usually larger and usually democratic, countries. The result is governments cannot deliver on the promises they have made to their electorates and so confidence in democracy is undermined. Tax evasion achieves the same result in a different way. It undermines the rule of law and so faith in democratic governments. The outcome is the same.

What is lacking, in the international scenario, for the problem of tax havens to end?

We know how to close tax havens. Shattering secrecy will do most of it because all cheats require secrecy to get away with their abuse. So why doesn't it happen? Simply because too many people too close to too many governments must be profiting too much from this abuse to have the political will to stop it. We need courageous politicians to change that.