

Plan B for the Caribbean's tax havens after Irma

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Professor Mariana Mazzucato [has an article in the Observer this morning](#) in which she notes an argument that she attributes to the Tax Justice Network. As she notes:

The relief efforts needed are larger than they should be due to how these countries have been starved of tax revenue precisely because they have chosen to be tax havens.

In that case she says:

The simpler question is to ask those “elites” who save billions by using tax shelters in the Caribbean, and the Big 4 accounting firms that enable their transactions, to contribute to the relief funds. The more difficult question is how to change the status quo and make sure that these companies actually contribute to the resources they take advantage of, both at home and abroad.

It's more difficult because it requires admitting that the governments offering tax shelters, which today might be appealing for relief, are also extracting value from the governments of the foreign companies they host. So, for example, the UK taxpayers pay for infrastructure and education in the UK. British-based companies benefit from that. If they then benefit from havens to avoid paying tax to the UK, the tax shelters are, of course, a key part of the problem.

And as she notes:

Clearly, a priority should be for companies, operating in countries offering tax havens in British Overseas Territories and the Commonwealth (or, indeed, elsewhere, such as Switzerland or Monte Carlo), to be more transparent. As argued by the [Tax Justice Network](#), this would mean that countries in the Overseas Territories should “provide free, online and publicly accessible registers of all companies and trusts” located there.

At this point I have to correct Mariana: the argument actually came from me, [writing for the Progressive Economics Group](#). I enjoy working with the Tax Justice Network and am often still linked to them as I was a founder of that organisation, but on this occasion

they're not involved, and I am not sure what their position is because I have not asked, so I apologise if they're embarrassed by this.

As Mariana goes on to say:

In particular, it argues that this information should include which individuals own more than 10% of the shares in each company registered in the location; the names of the directors and the various locations where the companies have offices. The Network also argues that the cost of UK aid should be matched by revenue from the companies benefiting from the tax shelters and that full annual accounts should be prepared in accordance with a recognisable set of accounting standards. A modest proposal would be for the countries to raise money from the companies by increasing, for example, the charges they make for offshore services, or by charging tax on the companies based in these places.

Her follow up points are what then add real value:

But if the whole point was to avoid tax, would this cause the companies to leave? This gets us to the core of the problem. It is impossible to have real growth, and a reduction in inequality, through policies that are in the end just part of what we might call the “global value extraction business”.

Governments need to make critical investments that transform their societies in ways that create capacity, knowledge and long-run growth. This will be expensive, but possible, if arrangements are put in place so that those benefiting from the common resources also plough their profits back into those very resources. This, however, requires moving away from the “us v them” mentality and recognising that the problem rests just as much on the forces causing inequality at home as on the tensions between the rich and poor countries. It’s more than just an argument about who has to pick up the bill for the mess, disaster after disaster.

And that is precisely why this issue does need to be on the agenda, as does [Plan B for these places](#), something I have long been engaged in.

NB: The article has been approximately corrected now