

'What about the workers?' is no defence for tax havens

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There [is an article on the Conversation website](#) this morning where Pete Hodson (who I guess comes from the Isle of Man) argues:

As in the 1970s, Manx economic and social prosperity is again reliant on one, troublingly fickle, economic sector. This time, it is asset management and offshore investment, rather than deck chairs and ice cream. Severing tax avoidance loopholes must, therefore, proceed gradually so as to protect the Isle of Man from a capital flight cliff-edge. The outcome would be a 1970s scenario of unemployment, emigration and social deprivation.

International wealth flows like water, settling in the jurisdiction where the tax regimes are most advantageous. A knee-jerk clampdown would spook investors and inflict severe economic damage on British Crown Dependencies — most of which lack alternative income streams. We need to instil a moral conscience among the super rich and demonstrate that their taxed wealth [provides societal good](#). Their money — be it offshore, onshore, or in outer space — should be subject to the same tax regime as the rest of us.

Moral pressure and gradual legislative reform can achieve this. But don't proceed in a way which could strip the Manx working class of their livelihoods overnight and for the second time in living memory.

I do not buy this argument. It's akin to saying let's not end the drug trade because some workers may not make a living any more. Or to saying that any technical innovation must be barred for the same reason. To provide another contrast, it's like saying we should have carried on burning coal to save the jobs of mineworkers whatever the environmental consequence.

I accept that there are real issues for those who live on small islands. That's why the UK was so keen to foster tax havens in the first place. That was the wrong decision. So would their perpetuation be now. There is a need to prepare alternative economic plans for these places, and I have offered ideas on this issue. But keeping them as tax havens

at enormous destructive cost to the greater economy is not one of the options now available, even if inevitable social disruption follows.