

Corruption is built into neoliberalism

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I recently recorded another Funding the Future podcast with John Christensen, with whom I have discussed tax justice and corruption for more than twenty-five years. We set out to talk about why corruption is suddenly back in the headlines. We concluded that corruption has not suddenly appeared. It has been embedded in our economic system for decades.

In this conversation, we discuss:

- Why trust in banks, governments and corporations has collapsed since 2008
- How tax havens, secrecy jurisdictions and professional enablers make corruption routine
- Why the UK and the USA sit at the centre of global financial secrecy
- How sectoral balances explain the UK's dependence on foreign money flowing into the City of London
- Why corruption indices often ignore the real sources of global illicit finance
- The role of think tanks, lobbying and political capture
- What reforms could work – country-by-country reporting, ending investor-state dispute systems, and restoring democratic accountability

Corruption is not just about bribery. It is about power, secrecy and rules written for the benefit of the wealthy. If we want a politics of care and an economy that works for people, we must tackle systemic corruption honestly.

<https://www.youtube.com/watch?v=ebHEKNI0IBM&si=IAACtv5H7SOS8A7w>

This is the audio version:

https://www.podbean.com/player-v2/?i=55n8e-1a46ac7-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

There is no transcript for this podcast because it would be too long to reproduce here. Instead, this is a summary of our discussion:

I recently recorded another Funding the Future podcast with John Christensen, with whom I have had more conversations over the last quarter century than with almost anyone outside my family. We wanted to talk about corruption because it is suddenly back in the headlines. But our conclusion was that corruption has not suddenly appeared. It has been built into our economic system for decades, and understanding that fact is essential if we are to repair democracy.

Why corruption feels everywhere now

John began by noting that we are living through a period of collapsing confidence in institutions. Banks, politicians and large corporations no longer command trust. Since the financial crisis of 2008, many people have realised that the political economic system is not working for them, and they increasingly suspect that it has been captured for the benefit of others.

We both think this crisis of confidence is justified. Corruption is not only about bribery or suitcases of cash. It is at least as much about creating influence, secrecy, regulatory capture and the manipulation of economic rules. Those forms of corruption have become normalised within the neoliberal political economy that has dominated the last forty years.

As we noted, the post-war settlement placed limits on markets. It created public health systems, labour rights and welfare protections. Neoliberalism set out to dismantle those constraints. Its advocates promoted the idea that markets must be free from democratic oversight and that the state should protect property before people. Once that philosophy took hold, corruption followed almost inevitably, because the system rewarded those who could exploit loopholes and capture power.

What we saw inside the offshore world

John and I both trained as accountants, and both spent time working close to the

offshore financial sector. That experience shaped our thinking.

In my own early career in private tax, with what became KPMG, I was quietly shown how to build offshore structures. A company in one jurisdiction owned by a trust in another, with directors in a third, and banking in a fourth. The purpose was obvious: it was to create a secrecy structure that regulators could not penetrate. It was presented to me as routine professional work.

John described his experience in Jersey, where he saw client files showing tax evasion, asset concealment, insider trading and illicit political donations. What shocked him was not simply the behaviour of clients, but the willingness of accountants, lawyers and bankers to enable it.

This is why we have always emphasised the supply side of corruption. It is easy to blame kleptocrats in poorer countries for corruption. It is much harder to confront the role of apparently respectable professionals in London, New York or Zurich who design the systems that hide their money.

That insight led us to create the Tax Justice Network's Financial Secrecy Index. We wanted to show that the biggest secrecy providers are the richest countries in the world, and especially the USA and the UK, with their networks of tax havens.

The corruption of the corruption narrative

One of our concerns has long been the way corruption is measured. Indices like Transparency International's Corruption Perceptions Index focus on bribery and perceptions of corruption in the global south. Meanwhile, the structural corruption embedded in the global financial system is largely ignored by them and others who look at this issue.

Countries that provide secrecy services appear in such indices with their activities in enabling corruption whitewashed, and apparently appearing clean, while countries that suffer capital flight appear corrupt. That narrative serves powerful interests. It distracts attention from the enablers of illicit finance.

This matters because capital flight from poorer countries into London, Miami or Switzerland is not accidental. It has been encouraged by policy choices, and is the evil key to the economic policy of a country like the UK, albeit that this imposes considerable cost on the people of this country. Financial deregulation, tax havens and secrecy laws were designed to attract that money.

The City of London and sectoral balances

To explain this, I drew attention to something that readers of Funding the Future will recognise as the relevance of sectoral balances. The UK depends heavily on foreign savings flowing into the City of London. Some of that money is legitimate. Some is not.

But the structure of global finance encourages capital flight from elsewhere into the UK.

That inflow distorts our economy. It inflates property prices, shapes interest-rate policy and gives disproportionate power to finance. The City's global role cannot be understood without acknowledging the illicit or questionable flows that pass through it.

This is another reason corruption matters. It is not an ethical sideshow. It is central to how the UK economy functions.

Think tanks, ideology and political capture

We also discussed the role of think tanks and lobbying organisations funded by wealthy interests, many of which are dedicated to promoting far-right and neoliberal causes. These bodies argue that taxes should be cut, regulations weakened, and governments starved of resources. They appear regularly in the media, and most especially on the BBC in the UK, shaping debate while hiding their funding sources.

This is corruption of the political process, even when it is technically legal. It undermines democratic accountability and reinforces inequality.

The result is a system where politicians can hold multiple jobs, including a media that promotes activity that undermines the UK state, whilst accepting large donations or moving seamlessly between public office and private lobbying. Such behaviour has been normalised, but it corrodes trust.

The international system

Our conversation moved on to the international rules-based order. That system is now under strain, not least because of figures like Donald Trump. But we agreed that while the post-war order was flawed and often imperial, abandoning international rules altogether would be disastrous.

Instead, we need reform. Institutions like the UN Security Council, with its veto by the post-war powers, which too often removes any chance of effective action, as well as the IMF and the World Bank, must all properly reflect the interests of the global south as well as the north. Power must be redistributed if global governance is to regain legitimacy. This might well require relocating some of these institutions to places in the Global South. We discussed Johannesburg and Brasilia as potential destinations. The OECD also needs to be reviewed in this context.

What could be done

The encouraging point is that solutions exist. We discussed policies we have both advocated for years.

* Multinational companies should publish country-by-country accounts so that their

activities are transparent.

- * Profits should be allocated according to where real economic activity occurs.
- * Monopoly power should be constrained.
- * Investor-state dispute mechanisms that allow corporations to sue governments should be abolished.

None of these ideas is radical. They are practical reforms grounded in accounting, law, human rights, consumer protection ideals, and core principles of democratic accountability.

Why this matters

John and I have spent much of our professional lives exposing corruption because we believe democracy depends upon it. When people feel that the system is rigged, they lose faith in politics. That creates space for extremism and authoritarianism.

Corruption is not just a moral issue. It is an economic one. It redistributes wealth upwards, distorts markets and undermines public services.

If we want a politics of care, which is the theme I return to repeatedly on *Funding the Future*, we must confront corruption honestly. That means recognising the role of secrecy jurisdictions, financial enablers and ideological capture. It means reforming many institutions from top to bottom, whilst tackling the complacency of many professions, and not pretending that small ethical tweaks will suffice.

Our conversation was a reminder that none of this is new. But it is urgent. And if we want an economy that works for people rather than the powerful, tackling corruption must be at the centre of the agenda.