

## Johann Hari: Blunkett wants to go after the 'scroungers'. Why not start with the super-rich?

### The mass tax avoidance of the rich is one of the great scandals of our time

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Before it gets lost in the fog that shrouds the Westminster village, it's important to figure out what the British people said last Thursday. If you combine the Labour and Liberal Democrat votes, it's a landslide for the centre-left, with 59 per cent of the British public voting for parties they knew - according to polls - were committed to higher taxes, higher public spending and redistribution of wealth to the poorest. At every election since 1979, fat majorities have done the same.

Yet the leftish nature of the British people is persistently obscured by a series of distorting and undemocratic filters: the electoral system, a ludicrously biased press and the disproportionate influence of the rich in shaping our public debate. Don't let all this make you forget that this is not a conservative country.

Even now the Tory press is trying to spin the derisory dribble of 33 per cent of votes cast to the Conservatives as "a come back" and "a partial victory for Howard". In the real world, the right received fewer votes even than in the disastrous defeat of 1997. The low-tax, low-spending, spit-on-asylum-seekers rhetoric of the Tories has crashed and burned. If the Tory press lulls the party into believing they simply need to be more right-wing to win, so much the better for progressives.

But there's another group of people who have not yet realised that Britain is quietly left-leaning: the Labour government. As soon as he was whisked back to government, David Blunkett was briefing the News of the World about his determination to crack down on scroungers. "Back... with a vengeance! Blunkett's first task is to get workshy 1m jobs", it declared, in a story clearly provided by the new Works and Pension Secretary who pledged to "end the gravy train". Yet again, he was using the language of the right to attack the poor. Is this what you voted for?

There was a particularly nasty irony in Blunkett's decision to scramble to the popular press - on his first day back in power - with this announcement. There is a group of people in Britain who are indisputably riding a gravy train, bleeding money away from the Exchequer - fill in your own cliché here.

Who is this group? Certainly not the recipients of a paltry £55-a-week incapacity benefit. No, they are the super-rich operating within our borders, epitomised by the News of the World's owner, Rupert Murdoch. His company News International has paid no net corporation tax at all in this country for more than a decade, despite having profits topping £300m. That's nothing: not a penny. The firm could not operate without the complex and costly services provided by the British state - the police, roads and rubbish collection - but News International is determined to make everybody else pay for it. Now remind me: who mentioned freeloading?

The mass tax avoidance of the rich - totalling \$860bn a year, according to the Tax Justice Network - is one of the great scandals of our time. A tiny elite has decided to unilaterally exempt itself from democratic taxation, and elected leaders across the world have rolled over and accepted it. The real estate tycoon, Leona Helmsley, famously declared in the 1980s that "only little people pay taxes" on her way to the slammer. At the time, this view was considered shocking; today, it is the *raison d'être* of the global elite, a morning prayer for the 1 per cent of the world's population who hold more than 57 per cent of the planet's wealth. They routinely wash their cash through a dozen tax havens, carefully ensuring that nothing goes towards the societies where their businesses operate. This is technically legal - but why do governments maintain such dysfunctional laws?

The world's tax havens now hold \$11.5 trillion of assets - the equivalent to ten Britains. The rich have exploited the fact that political globalisation has not caught up with economic globalisation: their multinational businesses are always a skip and a jump ahead of national governments. A great deal of that money rightly belongs in this country, paying for schools and hospitals, but even more of it belongs in developing countries. In places like Argentina or Nigeria, the entire rich class has stashed their money off shore.

We're going to hear a lot about Africa over the next few months - but will we acknowledge our

responsibility for this vacuum sucking tax money out of poor countries? As John Christensen, international coordinator of the Tax Justice Network, explains, "Britain has taken the lead in the creation of tax havens. Of the world's 72 major tax havens, 35 are linked to Britain. Many are crown dependencies such as Jersey. The City of London is also a major tax haven. For example, Mohamed Fayed negotiated the amount of tax he paid with the Inland Revenue. Could you imagine the man off the street being able to negotiate his taxes?"

The money that is being ring-fenced from democratic control is enough to pay for the UN Millennium Development Goals - to eradicate abject poverty in Africa - twelve times over. So will our government work with other democracies to dismantle the tax havens?

The tax avoidance industry chortles at the thought. They baldly state that this is impossible because many of them will find new ways to rig the system. One UK accountant told the press in 2003, "No matter what legislation is in place, the accountants and lawyers will find a way around it. Rules are rules, but rules are meant to be broken." Now re-read that sentence, and imagine it was spoken by a single mum on an estate talking about incapacity benefit. What would the News of the World say then?

Ah, governments reply with a shrug, but if we try to tax them, they will simply go elsewhere. Close our tax havens and a thousand more will open. Yes, it's true that national governments cannot act alone; but that is no excuse for failing to act. When it became clear that al-Qa'ida was receiving funding through tax havens, laws were passed across the world to freeze the funds. How much easier would it be to deal with organisations that aren't even secret - that have big shiny offices in every capital city in the world? If the political will is there, then the global rich can be swiftly tracked and reintegrated into the world's tax system. The French have already made proposals to this effect. Will we?

Even after the British electorate has made it very clear we want a more fair and equal society, our government is still giving the global rich a Get Out of Tax Free card. When it comes to the petty scams of the poor and weak, they declare that "nothing is off limits." When it comes to the massive tax avoidance of the rich, they feign paralysis. Congratulations on your re-election, Prime Minister. Now please don't mention Africa or incapacity benefit until you have dealt with the antisocial behaviour of the super-rich.

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