

The Taxcast, edition #108, January 2021: how we win

Naomi: Hello and welcome to the Taxcast from the Tax Justice Network. We're all about fixing our economies so they work for all of us. I'm your host Naomi Fowler, joined later by John Christensen. Coming up later – some really helpful lessons to equip us all for pushing together towards the next landslide of change:

Clip: “if we on our side have every fact and every policy, and the other side has all of the stories, the passion, the emotion, the excitement, then we'll lose.”

Naomi: I'll be speaking to activist and writer Ben Phillips about how to fight inequality. Believe it or not the Taxcast is entering its *tenth* year this year, so to celebrate we've got a new logo, I hope you like it, it's not necessarily showing up yet in all of the apps that we have, but anyway, it was about time we got a snazzy new look! Let me know what you think by emailing me on Naomi@taxjustice.net You can subscribe by emailing me there too or find us on your favourite podcast app or radio station. OK so, no time for news headlines this month – we're going to talk to John Christensen now of the Tax Justice Network for his take on this month:

Naomi: Okay, John, well happy new year. Um, it's a year we think that's going to cement the global power of China and, uh, looks like the continuing demise of the UK and the United States unless they get to grips with their shareholder capitalism models. Um, let's talk a bit about why that demise seems set to continue and how they may really struggle to recover from the COVID crisis. Unlike China. And although the Biden administration may not tackle shareholder capitalism as it must do, Biden has still in his inauguration speech made some really pretty strong commitments. He said, and I'm quoting, he's going to tackle, um, a raging virus growing inequality, systemic racism, uh, climate in crisis. We'll be judged, he said by how we resolve these cascading crises.

John: Yeah. Uh, good words and happy new year, by the way. I see three historic shifts happening simultaneously during the course of this decade. And our first, as you say, China is steadily moving towards being the world's largest economy. We've already heard for example, that China sustained growth through 2020, despite the COVID pandemic. And the Chinese are continuing to build their influence, steadily advancing with their belt and road initiative, which is creating this huge trading infrastructure linking 70 or more countries across Asia, Middle East, Africa and Europe. Um, and as their economic reach expands, their political influence inevitably follows. And this is going to present huge challenges to Joe Biden as he takes over at the white house, because his predecessor caused so much harm to US relations with the rest of the world.

And the second thing that's happening is the economic development strategies pursued by the United States since the era of Ronald Reagan and, and, and, um, in the United Kingdom since Margaret Thatcher, these have largely failed, but neither, neither country shows any signs of making the necessary changes. At the heart of Reaganism was this idea that you've talked about of shareholder capitalism, which roughly boils down to the notion that the only duty of company directors is to increase the wealth of shareholders. You can do that either by paying bigger dividends or by increasing share values. And that's one of the reasons why, of course, the right wing media makes such a fetish of stock stock market movements as a metric of economic success. Now under shareholder capitalism, the interests of other players, workers, for example, or creditors or local communities, and importantly, the environment, these issues become totally irrelevant to the decisions being taken by the company, the company board of directors, because they're only focused on the interests of shareholders. Now as your quote from Joe Biden's inauguration speech shows, this focus on shareholder capitalism has had severe long-term political and social

repercussions, to the extent that it's no longer possible to feel secure about the very survival of democracy. Inequality has reached levels that have been unseen since the 19th century, investment, particularly in the United Kingdom but also in the US has stayed at worryingly low levels with far too large a proportion of so-called investment going into mergers and acquisitions. And these lead to more concentrated corporate power often resulting in job cuts, hollowed out businesses burdened with too much debt because the directors have been paying far too much out from profits to shareholders, uh, you know, bigger dividends whilst also paying themselves vast salaries and bonuses.

Now the third big shift, particularly since the 2008 banking crisis is the radical right has been pursuing a strategy of trying to reboot capitalism by breaking the international trading order that was steadily built up since the 1950s. Brexit was a much more extreme extreme example. As the European union started to take steps in 2011, 2012 to strengthen financial regulation and restrict tax avoidance, the radical right in the United Kingdom recognised the threat to their development model, which is basically lax regulation and tax dodging. Now, politically of course, they knew that there was very little public support in Britain for, uh, for the city of London bankers and for the tax avoiders. So instead they whipped up a storm around, uh, immigration and use that storm to bounce the British public into Brexit. So if we stand back and look where Trumpism has taken the United States and where Brexit has taken the United Kingdom, it seems to me that the radical right wing project has failed. Far from imploding under the pressure from Brexit, the European Union single market remains intact and Britain now finds itself without a seat at the rule-making table and facing a massive additional level of expensive bureaucracy to ship goods across borders into the single market. And meanwhile if we look at what Trumpism has done in the United States, it might well have brought the United States to a state of low level permanent civil war. And, uh, the Brexit project might well have led to the end of the United Kingdom with Northern Ireland increasingly aligning economically, politically and culturally with Ireland and Scotland electing for independence from, from Whitehall, so the, the impacts have been drastic. Going back to China as the Chinese like to say, 'may you live in exciting times', the radical right project isn't working, but they haven't so far worked out a way to move forward beyond it.

Naomi: Let's contrast what China is doing because China doesn't have a shareholder capitalism model and it's, the state is very central and don't get me wrong, nobody's trying to say that we want anything like the kind of oppressive regime China is, but, uh, they are developing in very, very different ways, aren't they?

John: Yeah, a lot of people, people think that China has gone down a capitalist model and in many respects yes, capitalism is permissible in China, but you still have a very strong state-led development strategy, which involves a lot of investment in infrastructure. A lot of investment in education, a lot of investment also in, in social welfare and health, for example. Um, but also alongside that a great deal of state-led investment in, um, research and development which means that China has, has massively increased the productivity of its workforce. I certainly don't want to present it as some kind of paradise because it isn't, we know of the human rights abuses, um, in, in China. Nonetheless, they have been much more long-term and strategic in their thinking. And the state has taken a much bigger role in shaping the economy and the social outcomes whilst in Britain, UK, and United States and other countries that have taken this extreme shareholder capitalism model, the thinking tends to be leave it all to the market to decide. And that tends to be much more short term in its thinking.

Naomi: Okay. And so Brexit has happened now, the Singapore strategy seems to be well underway now that the UK is kind of separated from the herd, its sort of humiliation and downfall seems to be accelerating

John: Right, well the wheels are very quickly coming off the Brexit bus. Um, but the Johnson government just don't seem to know how to reverse out of the mess that's been created. Now for several years you and I have been discussing this, the threat of a Singapore on Thames development strategy which in many respects it's just a rerun of what Thatcher tried in the 1980s. For example, there's a lot of talk now about creating 10 or more freeports up and down Britain. Well Thatcher tried that in the 1980s and even her supporters came to recognise that it wasn't exactly successful. The problem with free ports now is that they're pretty much irrelevant to the trade free tariff model that's been negotiated by the EU with the Johnson government. But worse, free ports generally don't attract the type of large scale investment and investment in high value added productive activity that Britain needs at the moment. Now famously in the 1980s, the Thatcher freeports became associated with low value assembly activity, we used to call it screwdriver activity which involves cheap labour. And the benefits there almost entirely go to the company owners, either through tax breaks or deregulation or whatever, the benefits really didn't flow out to the wider communities. But what's really interesting this time round is that the business community just isn't supporting them in this, big players in the city of London, aren't pushing for deregulation because they still want to have access to the European union markets for financial services. And they know that if Britain diverges significantly away from European union regulations, that access will be denied, which is by the way, is what's happened to Switzerland. And that explains why the Johnson team failed to negotiate access for services as part of the deal, which came into force on the 1st of January this year.

Now equally businesses aren't calling for tax breaks and, and, and the treasury for its worth in London, they're not calling for any more corporate tax breaks either since there's a general recognition now that cutting the corporate income tax rate or throwing more tax breaks at businesses, quite simply, doesn't attract new and productive investments. So from where I'm sitting, this is the end of the line for Thatcherism and for shareholder capitalism, it's made a tiny number of people, bankers and private equity people and mergers and acquisition specialists, these people have become spectacularly rich in the past 40 years, but overall the development strategy has failed the vast majority of people in the United States and in Britain and in other countries that went down this route.

Naomi: Thanks John! He'll be back with us next month. So, new year, more challenges. But when it comes to being part of a movement for economic transformation and fairness, there are some ingredients that are absolutely essential for us to succeed. On the Taxcast this month I'm talking to activist and writer Ben Phillips who's lived and worked in four continents and fourteen cities. He's written a book I've found really useful – How to Fight Inequality – and why that fight needs you. Ben, you've lived and worked all over the world but I thought it's particularly interesting that you were living in South Africa in a township just after the freedom struggle succeeded in bringing down the apartheid regime. It doesn't get a lot harder than that, does it as a climate of struggle? And, you know, apartheid seemed unassailable for such a long time. Would you say that's one of the places that's taught you the most maybe about fighting inequality and successful fights against inequality?

Ben: Yeah, I mean, certainly the one that kind of seared it in my brain. Mamelodi is the main township of Pretoria, which was the capital city. So it was a very active centre of struggle. And I was the only white person living there because prior to 1990, there'd been a formal legal separation of people. Mandela became president in June following an election that took place in April of that year.

I arrived in September. So, it wasn't a struggle that I had helped to win, it was a struggle that I was learning about from those who'd won it. And the key lesson that I learned from them that they taught me was about how when the famous leaders of the ANC were either in prison or in exile, the struggle was carried on and won by ordinary people, by workers in trade unions, by community organisations, women's groups, priests, even school kids had helped to lead and push. So it wasn't a story of just one or two famous faces, heroic though they were, but was much more importantly, and much more inspiringly, a story of how collectively ordinary people were able to achieve great change. And one day I was taken by my friends to hear Nelson Mandela speak in a football stadium. And there were 30,000 people around the stadium. And as Mandela spoke, I looked at him and I realised two things. And the first was that Mandela was a hero. But the second was that I wasn't in a stadium observing one hero. I was observing 30,000 heroes. That the victory against apartheid had not been the victory of one man, great though he was, but it'd been the victory of thousands and millions organising and pushing together. Later on, I read something by Archbishop Desmond Tutu..he said, Mandela's just a pebble on the beach, a beautiful pebble but nevertheless, just a pebble. And what he meant was that the story of the victory against apartheid was this collective story. And as I looked back at other historical examples of when grotesque inequality had been beaten, I found a pattern, which was that it was never self-correcting. It was never given by elites, but also the popular struggle that won it really was a popular struggle. And the famous, inspiring leaders who we recall were really embodiments made possible by the struggle of so many others. So if we are today to tackle grotesque inequalities, it won't be given to us, but neither should we look for stars who will redeem us. Collectively, we will redeem ourselves.

Naomi: Yes. I thought that was really fascinating how Desmond Tutu described Mandela, you know, as a hero among many heroes. And what's also really interesting about your book I think is that really important reminder of how long-term protest and pressure is, and needs to be, you know, it needs to be ongoing and you point out that some of the achievements, the big reductions in poverty in Brazil, for example, and in South Africa for a time – those big reductions lessened when the popular pressure kind of diminished. You talk about how, for example, in South Africa, there was a kind of deference to the ANC government and, you know, in Brazil also the strong challenge from below kind of abated because after decades of struggle, I guess popular movements thought oh ok, now the 'right' people are finally in power. You point out that we forget that, um, Lula's party in Brazil, for example, got to power only after decades of pressure and fighting and struggle. That's such an important point you're making there.

Ben: There is a challenge for organisers around timescales which is that in moments of crisis, time can appear to move very, very fast and does, and one needs to act very, very quickly, but almost always what enables a crisis to be an opportunity for one side or the other is years of preparation. And so what can appear to happen very quickly is more like a kind of a landslide that has been building up over a period. And the job of organisers is not just to respond quickly in those moments of crises, but it's also to build up in advance of them. And to accept that in those long struggles in advance of the moment of opportunity, there will be periods where it looks bleak and where it's hard to see a way ahead, but unless the preparatory work is done in those periods, then those moments of opportunity become moments of opportunity for someone else. I think that collectively, progressive movements failed to establish such a foothold prior to the 2008 crash. And so the 2008 crash, which really demonstrated the utter failure of neo-liberalism to deliver for ordinary people, we saw really nobody from the banks and politics who'd been so complicit in the failures pay the price. And it became a push for retrenchment and austerity. And at the same time, the frustration with elites was twisted into a bigoted populism that attacked minorities, attacked the progress that had been made in women's rights, attacked movement across borders. And part of that is, you

know, life's unfair, that those forces of reaction will always be better funded. That's a context that we just have to deal with. It's also, you know, an achievement in a sick way by the bigots who were hugely well organised, ironically ultra-nationalists' ability to organise internationally at points exceeds progressive's ability to organise internationally. And it's also, we have to be honest with ourselves, we weren't ready for that moment and we didn't have the organisational strength. And we missed that moment. Now in the COVID crisis, which is really exposing and collapsing the status quo we don't know what will follow. There is a real danger, again, that the principle beneficiaries become the liars and fascists, but there is an opportunity for a case to be made effectively to people and for effective organising to be done around a recognition of interdependence. The disease so clearly demonstrates how one person's misfortune or danger is another person's misfortune or danger, but also the economic impact that has been wreaked on people in the context of COVID has also demonstrated that a kind of ungiving state with no redistributive function doesn't work, not just for those at the bottom, it doesn't work for really anybody right up until maybe the top one, or even a smaller percent of that. So there is an opportunity, but if we don't seize it, if we don't use it then other people will.

Naomi: Yes what happened in the lead up to 2008 and afterwards you know, it didn't go the way that it should have done but now yes, there's a wider understanding about interdependence and the role of the state as well, that only the state can, uh, take certain actions to protect people and that understanding is so important in terms of addressing the climate crisis, and that sort of brings me to ask you about another point that you make in the book, which is about connecting up different struggles because they *are* all connected.

Ben: They are. You can build a super majority if you connect different struggles. The Reverend William Barber of the Poor People's Campaign in the US calls this 'fusion coalitions'. And when I look back at history at how victories against inequality had been won in the past, they had always been these kind of fusion coalitions. Those who want to tackle racial injustice, those who want to end the run-away wealth of a tiny 1% at the top, those who want to have a fair society in terms of relations between women and men. All of these different progressive forces united have the potential to succeed, separated don't. Most people don't engage with politics for one policy or as a kind of issue obsessive, that's much more common amongst intellectuals or, you know, thinktank folks, but most people don't see things that way. They look for a composite picture. When we've been successful in the past, for example, the post-1945 changes that happened, whether that's in the UK or Europe or US, they happened together, so huge numbers of policies happened at the same time. And they happened because there was an overarching story. And that story was fundamentally a moral one, not an issue-based one. Across the world we saw after world war two this notion that we needed to build a society that worked for everyone having gone through a crisis that had hit everybody. And I think now after COVID, we need something similar. So we need a narrative, a story about what kind of society we need to build. From that the policies will flow.

Naomi: Yeah I was going to ask you about exactly that actually in terms of stories versus facts, or probably 'versus' isn't a very good way of putting it because obviously tools and data and policy proposals are really important, but when it comes to campaigning and connecting with each other and communicating and pushing forward together, you point out so well in the book, there's no historical evidence that facts and presentations change things. I think er you quote a South African trade unionist as saying "No one cedes power because of a great Powerpoint." And there's a quote from another union organiser in the US that I really love that you quote as well. And he said 'a pamphlet, no matter how good is never read more than once, but a song is learned by heart and repeated over and over.' And for me, that's really key to everything that people are trying to do

when they're working for change in the public interest, or we should be, I mean, especially with doing the Taxcast and trying to get across information that I feel is important, but also to fit that into the stories of our lives, you know.

Ben: Absolutely. It's interesting with the neo-liberals that you know, the most famous and most impactful neoliberal is not one of their intellectuals like Milton Friedman, for example, but it's Ronald Reagan, who was first a movie star, then a propagandist, and then a president. And if we on our side have every fact and every policy, and on the other side all of the stories, the passion, the emotion, the excitement, then we'll lose. And this is where I think progressives need to be serious about how change happens. So many of us want to think of ourselves as evidence-based people. And yet when we're asked, how will we bring about change, we often default to 'well, we'll present evidence,' but when one looks at the evidence of when change has been brought about on a transformational scale, it is almost never, or at least, I couldn't find any case where it had ever been because experts had presented evidence. Our strategies for change can't be based only on the evidence, I think that's a difficult hump for many progressives to get over, but if we don't, then all we'll do is be ever more articulate commentators on why we're losing

Naomi: Ha, yeah! Lots of talking and not enough connecting too, and I think the question people always ask is 'yes, I agree with everything you're saying, but what can I do?' I mean I remember when extinction rebellion was blockading the centre of London not so long ago before COVID, peacefully, for weeks. I remember me and Nick Shaxson were going around the different barricades talking about economics and tax in the public interest with people, and two women put their hands up to get the mic and they said, you know, we agree with everything you're saying, but what can we do? And I was saying to them at the time, well, you are doing it because you're here, we're all here now, you know. After reading your book, I thought you know, in terms of building collective power, and the idea of the thousands of heroes, I think maybe it wasn't such a bad answer?

Ben: I think it was a great answer. I think one place in which I would challenge some activism is that when we look at when organising has been impactful, it hasn't been principally through the most dramatic romantic moments. So a march is one thing, but what matters more is whether after the march, people have a sense of being a collective and are ready and keen to do something next, so that they've actually formed themselves not just into a demonstration of anguish, but a demonstration of collective power, it's the long-term processes, and I think these are sometimes forgotten. I went back and looked for example, at the Montgomery bus boycott, the famous story of black Americans refusing to sit on the bus until the bus companies and the state government ended the policy which pushed black people to the back of the bus. And sometimes people remember this story as Rosa Parkes was tired and refused to move. And then Martin Luther King gave an inspiring speech. And then it changed. That is absolutely not what happened but what did happen is actually more exciting, which is that for two years previously, a group of African-American women planned and organised what was going to happen. So Rosa Parkes wasn't tired, she was trained and she was ready. And then for a year afterwards, they had to carry on this difficult and logistical operation to get people to their places of work from their homes, without using the buses. And they worked for example with the postman, because the postman knew where everybody was and were able to map the city. They worked with the taxi companies, they worked with people who had cars but didn't actually take the bus in order to work in solidarity with them. They worked with the black churches, because that's where people met and gathered every week. And that became a key organising place. And illegally at night, university staff, and some of them lost their jobs for doing that, printed thousands and thousands of leaflets around the boycott. Unless all that had happened, the boycott would not have succeeded. So the kind of grand bits that appear in movies are the least important

bits. And there's a danger in activism that we think it is the dramatic moments that lead to change when often it's actually much more the everyday organising.

Naomi: Yeah. And it's so important that we 'get' the different stages of struggle, and in your book you kind of tweaked Gandhi's famous saying a bit – "first, they ignore you, then they laugh at you, then they fight you, then – and this is your part – then, they tell you you've won. And *then* if you keep pushing, then you *really* win." And I so agree with you're saying in the book that we're in that very dangerous place at the moment, a kind of plateau where power is telling us that on so many things they agree with us – yeah inequality is bad, yes we need to stop killing the planet. But they're not actually doing what needs to be done!

Ben: Yeah. Um yeah, I feel, you know, not at the level to reword Gandhi, but I did. But it does seem that actually there is a moment in between when the elite very cleverly declares you the Victor and declares that they agree with you. And that in a way is, is the most dangerous moment in any process of reform. That's where we've got to on inequality. Now, it's very hard to find a world bank report that doesn't say that inequality is bad on page one or two. Every single government has signed up to the sustainable development goals, goal number 10 pledges to reduce inequality both within and between countries. So they've said, we agree. That contradiction shows us that we have to really beware of this moment. I think we're at that moment also on tax. So now for example, we have the IMF almost saying that they support wealth taxes. You have mainstream economics saying austerity is counterproductive. And that systems of private insurance, for example, to provide for health or for risk of unemployment cannot any longer be said to work, so we need tax-based systems. Now we have to hold their feet to the fire around actual delivery. I'm optimistic only because I've seen how powerful we ordinary people are when we act together. And this book is a weapon for people to use, non-violently, in a struggle that they will, I believe, win.

Naomi: You've been listening to Ben Phillips talking about his book *How to Fight Inequality* and why that fight needs you. Its published by Polity Press, it's well worth reading. That's it for this month on the Taxcast. Thanks for listening! We'll be back with you next month."