



## **Exposing Tax Havens & their Destructive Effects on the Economy | With Journalist Nicholas Shaxson**

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### **Chapter 1 INTRODUCTION**

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**acTVism (acTV):** Thank you for your time. Could you introduce yourself, describe what the tax justice network is, and tell us what personally inspired you to pursue this topic?

**Nicholas Shaxson (NS):** I'm a journalist, a freelance journalist. I write mostly about economic and political matters, particularly kind of dirty money. That kind of thing. I work part time for the Tax Justice Network. And the Tax Justice Network really is two things: one is about tax and how to make tax systems more accountable, more progressive, so that effectively the poor pay less than the rich pay more. That kind of thing. On the other side of the Tax Justice Network is to look at the international tax system and particularly tax havens. And tax havens, this goes much beyond tax. Tax is an important part of it, but it involves secrecy. It involves financial regulation. So it's a very broad kind of field.

So I started out in this area. I used to write about oil and politics in West Africa and corruption. And I always saw money flowing out to tax havens and that was kind of the end of my investigations because of the secrecy. I couldn't really find out what happened after the money left, but I was approached by somebody called John Christensen, who used to be the economic adviser to the big British tax haven of Jersey. And he had kind of turned against tax havens and he had set up an organisation. This was the Tax Justice Network set up in 2003 that was dedicated to campaigning against tax havens. And he'd seen my experiences in Africa and had realised that some of the things we were writing about were quite similar. And we started talking in about 2007. And quickly I realised that this was, first of all, an issue that was widely misunderstood. People had seen tax havens as a kind of exotic sideshow to the global economy, but also people hadn't realised how big it was. I realised that the biggest tax havens in the world included my own country, the United Kingdom, which runs a network of tax havens around the world. The United States is a huge tax haven. Germany is a big tax haven in important respects. So I realise that the widespread perception of tax havens was wrong. And I was instantly fascinated and hooked and I started working with John very soon after that. And we started developing this kind of critique, along with some other people of the whole tax haven system. Looking at it from an economic perspective, it's not just about

criminals and mafiosi. It's much bigger than that. All the world's multinationals are in tax havens. All the world's richest people use tax havens. So yeah, once John had shown me how important and how strange the system was, I was hooked. And I've worked on tax havens ever since.

**acTVism (acTV):** You mentioned that Germany is a tax haven? That would be surprising to many people here. Could you be more specific about this claim?

**NS:** Yeah, it might help to start with what the definition of a tax haven is. There's no general agreement on what a tax haven is. There's lots of definitions out there. But for me, it's really two things and my definition is really just two words: the first word is escape and the second word is elsewhere, somewhere else. In other words, you take your money somewhere else to escape the rules and laws that you don't like. That's the essence of a tax haven. Those laws might be tax laws. They might be disclosure rules. There might be transparency rules. You might be looking for secrecy. They might be financial regulations. You can go to another place and you won't be subjected to your home financial regulations. So tax havens are all about offering escape routes.

Now, in Germany's terms, there are lots of things in Germany's laws that allow foreigners, people outside of Germany, to send their money into Germany. And once it's in Germany, information about their holdings isn't going to go back to their home countries. So if, for example, someone from Tanzania or Morocco buys some German real estate, there are laws in Germany that enable that person to invest the money in a way that their own tax authorities will never know that they have that money in Germany. So that lack of information flowing in the other direction is a problem for those [foreign] countries. And so that's what makes Germany a tax haven. It is a very large player in the system. Actually, I think most people don't regard Germany as a tax haven, but in important respects it is.

**acTV:** Could you define and differentiate some terms for us - specifically tax havens and secrecy jurisdictions? In addition could you let us know how they have historically functioned up until the current period?

**NS:** OK. So there is a kind of global system of offshore tax havens or secrecy jurisdictions. And each one offers a different thing. It's like a sort of ecosystem with lots of different evolutionary niches. So a tax haven like the British Virgin Islands, for example: it specializes in offering shell companies and offshore trusts that provide very strong secrecy and a few other things. And so companies or people will put assets in the British Virgin Islands or companies will set up structures there that allow them to use those particular secrecy laws. There may be financial regulation. A bank wants to escape financial regulation. So for decades, American banks, for example, have been coming to London to do things that they're not allowed to do at home. They've been using London as a kind of escape route from particular financial regulations, that's been going on particularly since the 1970s and maybe even earlier. American banks have been subjected to quite strong regulations historically. And so they used London as an escape route. So there's a kind of off shore thing going on. So London offers many other things.

So each jurisdiction offers a whole mixture of different facilities. And there's this kind of constant, what they call competition, going on between them [tax haven jurisdictions]. So if

the British Virgin Islands sets up a very strong law about if you set up a BVI company, you can get very strong secrecy. Then another jurisdiction will look at that and then they'll say, "OK, we can do something even better that is even harder for the tax authorities to break and we'll set up something even stronger". And that kind of competition- this constantly trying to attract money by creating more, more sort of devious and problematic facilities is kind of driving the whole system forward. It's kind of a constant process of evolution. In the other direction you have a kind of democracy pushing back. So you have international countries get together to try and tackle this kind of stuff and international organizations trying to tackle this stuff. On the one hand, the tax havens are kind of getting worse. And on the other hand, democracy is trying to push back. And that's kind of where we are at at the moment.

**acTV:** Which tax havens are the most significant, where are they based, and much money is hidden in these places?

**NS:** OK. You can look at the different ways where the most important tax havens are. If you're looking at wealthy individuals and secrecy - where are wealthy individuals putting their money to hide it? You will find obviously Switzerland has always been a very important tax haven. It has improved to a certain degree in recent years, but it is still a big tax haven. The United States is a very big tax haven. Lots of wealthy people are putting their money in the United States and whether it's using a Delaware corporation or using U.S. banking laws, they can put their money and hide it from their own country's tax authorities or criminal authorities and get away with it and there is no way to kind of penetrate that stuff. So particularly for weaker countries, the tax authorities cannot go to the United States and find out what's going on or cannot go to Switzerland and find out what their [from foreign weaker countries] taxpayers are doing. If it's a stronger country, if it's a U.S. citizen putting their money in Switzerland, then because of the power of the United States, the United States tax authorities find it a lot easier to get the money out of Switzerland. But if Tanzania goes to Switzerland and says "we want this information", they'll just say, "get lost we don't care about you". So there's a whole kind of power play going on. So that's wealthy individuals.

There are also corporate tax havens. And the biggest corporate tax havens in the world are generally Switzerland, Luxembourg, the Netherlands, Ireland, Singapore, Hong Kong. These places offer generally tax loopholes. A corporation can set up a subsidiary in Luxembourg and achieve all sorts of things and particularly escape paying tax on whatever it wants to do. And quite often these places are sort of pathways through the international tax system. So if a multinational from Germany, invests in China, for example, it might route its corporate structure through a tax haven or two tax havens or three tax havens in order to carefully escape the places where it's going to have to pay tax. It will tend to pay less tax as a result.

How much money is in tax havens? There's various different measures. They range between \$7 trillion and about \$40 trillion is in tax havens. It's a very imprecise study, partly because of the secrecy, but partly because there's no generally agreed definition of what a tax haven is. But you know that much money, if you were to take that many dollar bills and put them end to end, you would have a line of dollar bills that stretches several times along the earth's orbit around the sun. So we're talking about absolutely huge amounts of money. This is not the stuff like the traditional images of money sitting in a suitcase and being taken across borders. This is obviously much bigger than that. We're talking really gigantic amounts of money sitting offshore.

**acTV:** How do researchers like you compute the amount of money that is hidden in these havens when they are secret, by nature? Could it be that they contain even more money than has been uncovered by your research so far?

**NS:** The ways of tracking this stuff down there are international statistics that allow you to get some sort of handle on it. I think there could be more in tax havens in the sense that the ways that you measure it may understate the problem because there are huge amounts of money - I gave a figure of between \$7 and \$30 trillion in tax havens. They're also much bigger flows through tax havens. The Netherlands, for example, sees - I can't remember the [exactly] figure - this was about \$10 trillion a year flowing through these kinds of Netherlands conduit companies. So there are much bigger numbers involved in tax havens, not necessarily sitting in tax havens, but it's kind of tricky you know, you have to define your terms very carefully when you're talking about this. And you have to sort of nail it down. But I think it's fair to say that every multinational company in the world has subsidiaries in tax havens. There are some multinationals that have hundreds of subsidiaries. I was looking at a U.S. bank the other day and it had nearly 900 subsidiaries in tax havens. So this is a phenomenon that is everywhere. It's all around us. Every company that we use, any milkshake that you drink that was made by a well-known company. That milkshake will somehow have a connection with tax havens. The apartments we live in, if we're renting from a big landlord, they will almost certainly be using tax havens as well. It's everywhere.

**acTV:** Can we somehow avoid being part of tax havens? What class of people that we should be aware of make use of such havens?

**NS:** I think, again, it's a question of degree. I think if you want to completely avoid touching tax havens at all, you have to go and live in a cave because it's everywhere. And you'll [have to] live in a hut in a forest and grow your own food. But I think there are many ways to minimise this that's going on. I think most people earn a living, pay their taxes on it, and they don't really have any direct personal responsibility for what they're doing. It's generally wealthier people who take an active decision. They will have a tax advisor and they will be earning income and they will say to that tax adviser, for example, I want you to turn my income into something else, maybe using tax havens in order to cut my tax bill so I pay less tax. That's the level at which it becomes problematic. I think ordinary people if they're just buying something from a large multinational, they may prefer to buy it from a local company or local farmers or whatever and that's great. But I think it's impossible to stop people from using tax havens because they're everywhere.

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## Chapter 2

### COSTS ON SOCIETY

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**acTV:** What does “double-taxation” mean, and how does it affect hardworking tax-abiding citizens?

**NS:** Double taxation is about the international tax system. So if a company in one country, say in Germany, invests in another country, say in Indonesia, and it generates income from

that investment, which country is going to tax that income? Is it Indonesia or is it Germany? Well, if there were no agreements between Germany and Indonesia or international agreements, then both of them would try and tax it and the company would kind of be taxed twice. And they [company] would say that is unfair. And it may well be unfair. What happens then is that companies say, "OK, we're going to avoid that either if there isn't an agreement between Germany and Indonesia, we're going to use tax havens and we're going to escape". You know, so it won't be a German company investing directly in Indonesia. It'll be a kind of indirect investment and using that structure, using sort of fairly complex legal mechanisms, you can avoid that double taxation. And that in itself is not problematic. The problem is that when you use those mechanisms, very often you get what's called double non-taxation. In other words, it's not being taxed either in Germany or in Indonesia. And that's where the problems set in. So often these structures that are helping companies avoid something perfectly legitimate. Also create the possibility to do something much more problematic for society.

**acTV:** Could you talk about the costs, including the opportunity costs that tax havens have on our social system?

**NS:** So nearly always, it is the wealthiest people who use tax havens. Sometimes it's pension funds. And, you know, you have ordinary people using pension funds. But even then, the majority of people who have private pension fund assets are wealthier people. So it's the wealthiest sections of society that tend to use tax havens and they use tax havens either to escape tax or to achieve secrecy or to escape some regulations that they don't like some local rules. So what you have, sort of generically, this whole system inevitably creates an escape route for the richest section of society from laws and rules that they don't like, whereas everybody else who's just behaving normally who doesn't have the same opportunity to use tax havens is having to obey those rules, having to pay those taxes. The effect is economic. It increases inequality of course, because if you have richer people escaping tax or whatever and poor people having to pay those taxes, that will increase inequality. The big will become bigger. The rich will become richer, the big multinationals will become more powerful monopolies. Things like that will become stronger, corrupting markets. This is a whole corruption of the sort of economic system. It is not even the standard defenses of capitalism. Capitalists do not defend this system because it really is corrupting markets, but it is also by providing an escape route for the richest and most powerful sections of society, it is undermining democracy because people see this happening. People know it. They may not understand the complexities, but they will feel it in their guts that these people are getting away with it. These people are going and doing things that we can't do and laughing at us. And that is really, really dangerous for democracy. And we've seen in the last four or five years a really rapid rise in extremism. And that's for many reasons. But this really contributes to that. This sense of injustice, the sense of our elites laughing at us and getting away with stuff is a huge contribution to all these terrible things that we're seeing going on today. You know, Trump and Brexit and all this kind of stuff. Tax havens have played an important role in feeding these flames. And who knows where this is going to go.

**acTV:** How do you view this issue in terms of political ideology? Does it align more with the left in terms of economic justice or more with the right-wing in terms of having more fairer competition in markets?

**NS:** One of the things that immediately attracted me to this issue was that I do not see that the fight against tax havens as a leftist fight. This is not a left-right fight. This is about the corruption of markets. This is about crime. This is about democracy. Tax havens are undermining democracy. They are increasing criminality. They are undermining the integrity of markets. I think nearly everybody on the left and half of the people on the right can accept that. There's a whole bunch of people on the right who you might call less reasonable. I think the people who are most directly benefiting from the system and who've been building the system, I think generally will have a very hard ideological position that maybe is hard to shift. But I think you can build really strong coalitions with this between people who might consider themselves on the right and vote for the CDU or the Conservative Party [in Germany] or the Republican Party in the U.S.. But I think lots of these people, when you present these arguments about tax havens saying, "look at this, this is not how capitalism is supposed to work. It's not how democracy is supposed to work. It's not how we fight crime. It's a threat to national security". You get a lot of sympathy. And there's for example, in the United States at the moment, there's a lot of people in the national security community who generally are pretty right wing people who are fighting very hard against all the shell company stuff because they see it's a very dangerous thing. Malign actors coming into their system, buying up who knows what. So this is not a left-right issue. This is an issue we all can embrace. And what this is, I think if you want to put it in left-right terms, it is more of a fight of capital against society. Maybe that's another way you could see it. So I think you need to distinguish between capital and markets. I think many people and I do accept that markets can play a very positive role. There are many problems with markets, but markets have brought a lot of good things. And the problem is to fix the system so that markets can operate fairly and freely and in the interest of society. And there have been times in history when more or less that was the case in many countries. And that something to aim for.

**acTV:** During the beginning phase of the COVID19 pandemic we saw many governments struggle to provide basic medical protective gear and equipment to key health professionals and patients. Now, as we begin to ease the lockdown, economic problems are surfacing due to the massive tax gaps that governments are facing throughout Europe. The Tagesschau - Germany's leading daily news segment - for example recently reported that Germany will have a tax gap of 81 billion euros, without even looking at tackling tax havens as a possible option to cover this gap. Why do you think leading media outlets and even political figures did not bring up tax havens when the crisis began. And why does this continue to be the case, even as we start to see the extent of the economic costs of this crisis?

**NS:** The crisis is going to impose huge costs and it will generate a bigger tax gap. I think we need to distinguish though, between a tax gap - what I understand is a tax gap is the difference between what taxes should be paid and what taxes are actually paid. People escaping or not paying or whatever for legal or other reasons. That's different from a budget deficit. A budget deficit is the gap between what the government spends and what the government takes in in taxes.

First of all, budget deficits: in Germany, there's this crazy mentality called Black 0 [schwarze null], which holds that governments must always spend only what they take in in tax revenues. It's a sort of societal consensus. It's very strong in Germany. It does exist in other countries. But most other economists around the world say this is crazy. This is a ridiculous thing. This is an antiquated economic theory based on the idea that an economy is a cone

economy where too much government spending will kind of take away resources from the rest of the economy. It's complete nonsense, but it's so widely believed in Germany. So first of all, the correct response to this crisis now is for governments to borrow money, because the alternative, if you've got to have revenues matching spending, revenues are going to go right down with this crisis. That means spending has got to go right down and that will lead to recession and terrible spending decisions being made. Schools being closed and awful stuff. So that gap, the budget deficit, Germany has to change its mentality, it has to start thinking, yes, we can borrow and interest rates are incredibly low. Now you can borrow to invest, to invest in infrastructure, to invest in education, things that will make the economy more productive.

Having said that, it is essential for Germany to also in all countries to raise tax revenues where possible. In this moment of crisis, there's businesses about to go bust. We should not be taking huge tax chunks out of businesses that are about to go [bust]. Vulnerable businesses away from people who are earning almost nothing, who've lost their jobs. We should be supporting these people. We shouldn't be taxing those. But there is a large group of people and companies that remain strong in this crisis. Some of them have become even stronger, like Amazon or Zoom that have done very well out of this crisis. So we need to now tax these strong and wealthy individuals and strong companies at much higher rates than before. Effectively, we need to take much more tax from these companies and individuals than we were doing before to compensate in some way for the loss of tax revenues from other parts of the economy and for the increase in spending that we're now seeing. So we do need a much, much more progressive tax system. And we need to redesign our tax system so that taxes are levied from the strongest members of society. So that the strong support the weak effectively. And that has been an issue of how much to do that has always been a matter of political debate. But now it's suddenly come into sharp focus and we need to now really start looking at the ways wealth taxes and excess profits taxes on corporations, a whole range of other taxes that raise as much revenue as we can from the strongest members of society to help mitigate the damage that we're seeing from this crisis.

**acTV:** What do you make of the argument - usually from the right wing - that this money is better off stored in tax havens because if it were returned we may see a dramatic increase in the supply of money which could lead to runaway inflation?

**NS:** There are a lot of crazy crackpot theories out there that tax havens are good for one reason or another. There's a very strong current, that, you know, rich people are the wealth creators and everybody else should just be grateful for everything they do. And we should give them tax cuts and so on to help them create more wealth. And these kinds of theories are very, very popular. But where does that kind of argument stop? If the wealth creators need more tax cuts, well, why not cut their taxes down to zero? Why not give them negative tax rates for every income they earn? Give them every dollar they earn, give them [on top] \$2. Give them \$5. You know, where does this logic stop? Of course, it's insane. I mean, not just for democratic reasons, but there's endless economic knowledge now that the more inequality you have, the worse your long term economic growth. So this kind of thinking just damages prosperity. These theories about inflation, I think, again, there's this kind of mania. There is this societal kind of consensus. It's widespread in the media that inflation is a threat. It's just around the corner. We need to worry about inflation. German government bonds are earning negative interest rates. Inflation is near zero. We should be worrying about inflation going

lower and lower, because what happens with that is when interest rates are so low. Asset prices, the prices of apartments or yachts or whatever it is the rich people have go up and up and up. They get richer. We need to find ways to increase inflation. That's what is needed now. There's obviously a question of balance. We do want it to go too far. But inflation is too low right now. We need to spend and we need to do anything that risks reducing inflation, even lower below zero. We had oil prices going negative the other day. All of this stuff is profoundly damaging, profoundly dangerous, and will have long lasting effects.

**acTV:** Do tax havens have any consequences for democratic systems?

**NS:** So tax havens, because they generally allow the uses of tax havens, which is the wealthiest and most powerful individuals, allow them to escape taxes, to escape rules, to escape laws it undermines the foundation of democracy that the idea that one person, one vote, one person is treated before the law as equal to another person. Well, this system, the wealthy are not equal. It makes them somehow superior. You know, they can escape these laws and we have to submit to them. Billionaires don't, they can use their armies of tax advisers and wealth managers to play the game and escape the law and escape the rules. And if there's anything more damaging to democracy, I can't think what it is.

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### Chapter 3

## RECENT DEVELOPMENTS & SOLUTIONS

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**acTV:** What, if anything, are governments or international institutions such as the EU doing anything about tax havens? What are the latest developments regarding this issue?

**NS:** So on tax havens until the last global financial crisis 10 years ago, I would say governments weren't doing very much about it. There were a few international initiatives to try and crack down on tax havens. Governments would do things like have penalties for people who didn't declare their income, but there was no mechanism for them to find out. If I put my money in a tax haven, there was basically no mechanism for my government to find out that I had done that. The money was gone and I was laughing. After the last global financial crisis a couple of things happened: first of all, there were a bunch of people in the Tax Justice Network and others put together this new kind of analysis of tax havens, showing how important it was and how dangerous it was. And that started to become widely accepted. But more importantly, with the global financial crisis, you had governments suddenly seeing massive public anger over bankers getting away with it again and inequality and all this sort of stuff. It all sort of built up with the previous global financial crisis and governments realising they had huge deficits, huge losses of tax revenues because of the crisis and having to find new sources of revenue. And of course, with all that public anger and the need to find new sources of revenue, they could see inequality was getting out of control. There's a pot of money there, the wealthiest people, not just in tax havens, but certainly in tax havens, and they needed to start trying to tackle that problem. So a couple of initiatives really got under way led by the OECD, which is the club of rich countries, which is a very powerful grouping.



And they started setting up two things: one is a global sort of information sharing mechanism, including some of the world's most important tax havens, Switzerland, Cayman Islands and so on, where governments agreed to start allowing information to be shared between each other so that if a rich person in one country has got some bank accounts in another country, information will come back to that country's government. So that they could tax it. So the OECD set up this system called the Common Reporting Standards, and there's a couple of other related ones linked to money laundering and things like that, that started producing some results and we've had some progress. Of course, it's a complicated thing and there's a lot of loopholes and a lot of people still escaping. But the sense of impunity that it was before the people could just put their money in tax havens and that no one will ever find out. That's kind of gone now.

You also have things like the Panama Papers, these leaks of information, [including] the Luxembourg leaks, where people thought their information was safe. But it's [the information] gone out [through] people who smuggled it out in little discs and gave it to the world's media. And you've got all sorts of people realising that their information maybe isn't as safe as they thought it was. So there's a lot more resistance, a fear of using tax havens among the rich than there was [before].

So these pressures have kind of contained the problem to some degree. But on the other hand, you've had rising inequality, a lot more wealth being kind of extracted into the pockets of a relatively small class of people. And so the system has despite the pressures in a sense the system has continued to grow a bit. I'm sorry, still a huge, huge problem. And it's kind of shifted shape because some jurisdictions have been more compliant with this.

At the same time, you have had another system also led by the OECD, club of rich countries, to stop multinationals playing all these games to escape tax. And again, there has been some progress here and countries have agreed to change rules in many respects, but also that system is full of loopholes. There has been some progress since the last global financial crisis.

Now we are in the middle of the pandemic. I think all of these systems are being reappraised and the political possibility of doing much more serious things are now coming into view. We are in an interesting time. There has been since the last global financial crisis, a sort of rightward shift of governments. I would say that has been very problematic for tackling tax havens. I think the US government has not really improved matters. That's hardly surprising. Donald Trump is not a fan of cracking down on tax havens. His solution has been more to sort of cut taxes. And that's kind of been a big part of the answer for people like that. I wrote a story about Donald Trump a while ago, and my task was to find out if he was using tax havens. And I got an interview with him and he said, "I don't use tax havens because I can get everything I need in the United States". And I was not able to identify any major tax haven used by him. There were little bits and pieces here and there, but I think he's probably right. And tax experts I spoke to agree that he was probably right, that because there's so many possibilities for people like him to completely escape paying taxes if they do it in the right way, particularly people in the real estate business, there are so many loopholes that there's so much kind of ability among the rich to do stuff at home that they don't really need to use tax havens. So I think we need to see this tax haven problem in a kind of bigger context. There's so much we can do at home to sort of close these loopholes.

So it's an interesting question where we're going to go now. There's now, like with the previous global financial crisis, huge popular anger and a lot of big calls coming for really progressive change. Let's really tax the wealthy. Let's restrict monopolies. All this kind of stuff that needs to be done. And the difference now is that at the last crisis, the whole world was governed by this kind of consensus that we need to cut taxes to support the wealthy and the wealth creators and everything will trickle down. There were no real alternatives except from the fringes. And people who had very radical views were kind of marginalized. Nobody was really listening to them. And so when the crisis hit, they weren't really any ideas lying around for governments to take on. And they would have been regarded as crazy, even though a lot of these ideas were not crazy, but they would have been regarded as crazy at that time. In the period since then, a lot of these once crazy ideas have now become much more widely accepted and even mainstream. I mean, from the point of view of the Tax Justice Network back in 2003, there were some policies that we proposed which people just said, "this is ridiculous. Nobody is ever going to do this. It's insane". One [organisation] called Country by country reporting, which is about getting multinationals to be more transparent and say what they do in every country where they do business. The automatic sharing of information across borders to help governments identify what their richest tax payers are doing and beneficial ownership, getting companies to have registries of who owns what and making it public. All of these three things which we were told were insane at the time, are now basically widely accepted mainstream ideas that have been accepted by many governments. Many governments are actually implementing these ideas very imperfectly and of course, with many problems and loopholes and gaps and stuff. But what was crazy is now accepted. And I think now that we are in a situation in contrast to then where the ideas are there and they are acceptable, so it is possible that all this popular anger will lead to a further rightward shift. And the role that Facebook, in stirring up misinformation and all this kind of stuff could lead us in one direction, but the other more exciting possibilities is that there's a lot of people who want to go in the other direction and properly re-energize democracy and stop the elites getting away with rigging the game, rigging the markets, rigging the rules. And so I think we're at a very interesting time and I don't want to predict which way we're going. But I do feel in this sort of area that I work, there's a huge amount of energy favouring the more exciting possibilities.

**acTV:** What do you think of the initiative called "Association for the Taxation of Financial Transactions and for Citizens' Action" also known as "attac" that advocates for a financial transaction tax? Could this also be part of the solution?

**NS:** "attac" is an organisation that I used to regard as being on the fringes and I remember hearing some of their ideas and thinking that's crazy and not really paying a huge amount of attention. I think some of those ideas have become really mainstream and widely accepted, and that's part of this whole process that we've been going through. And one of the core ideas of the financial transactions tax, a little tax on every financial transaction. And it's a very good idea and there's a lot of support for it now, even among many mainstream commentators. One of the difficulties with it is that so much of the financial sector these days, particularly in the United Kingdom, about huge volumes of transactions, sometimes its algorithms and machines buying and selling stuff, you know, in hundredths of a second, all this kind of stuff is happening. And if you put a little tax on each one of these millions and millions of transactions, it could add up to a huge amount of money but it would kill these

markets. Now, in my view, a lot of this stuff that we're seeing, these very high volume transaction things are harmful to society. They generate a lot of wealth for the people who own algorithms and machines who are doing all this trading. And a lot of people see that and this wealth and they think, "oh, these are rich people, they're good for my country. We like having all this wealth around." But in fact, the very idea, the original idea, James Tobin proposed putting sand in the wheels of this kind of stuff is the term he used because these wheels going round, making money for certain people, this money is not created. It's not wealth creation. It's not good stuff that helps an economy grow. It is extraction. It is taking money away from other people through very sophisticated mechanisms. And if you can stop this kind of wealth extraction from other parts of the economy, from other people, you can actually make your country better off. There are people who say, "ah, we can't do this because it will kill these markets". And there would certainly be a huge amount of financial disruption. But in many senses, that is the point. You do want to kill these particular markets because they're harmful, they're harming your society. And so I think one of the biggest parts of the battle is to persuade people that certain markets are harmful, because I think so many people just think, "I see a lot of money being made over there. That must be good. It's in my country and somehow they'll pay taxes and it'll be good for me." I don't think people get beyond that to a much more sophisticated understanding that some of these activities are harming them.

**acTV:** What actions do you propose that governments and multilateral institutions should undertake in order to effectively address these issues?

**NS:** There's no magic magic bullet that will tackle these problems because this is the global economy. This affects pretty much everything. Everything - all businesses are somehow involved in all these kinds of things in the tax system and the financial regulatory system and so on. For me, my last book was called "The Finance Curse" and this was based on the sort of paradoxical idea that too much finance can make you poorer. So what's happening in our economies is what academics call financialization. So you're getting a lot of players. It's not just banks, but it's private equity firms, hedge funds and various kinds of esoteric players getting involved in our economy, in the real economy, in agriculture, in manufacturing and the creative industries in water provision. Everywhere you look, particularly in Britain, my country, but also in Germany, to a certain degree, they are kind of looking at the economy as a resource to be milked. Financial sector players are seeing opportunities. And so a private equity firm, for example, will buy up a company. The heroic story they tell us, "well, we'll buy it up. It's not working. Right? Well, we'll make it work better and sell it for profit." The real story is they take that company and buy it. They identify all the different stakeholders of that company and then they'll kind of extract from all those stakeholders. "So this company's not putting its financial affairs through tax havens enough. So let's set up a structure so that they can escape paying tax and milking money from the taxpayers. This company is paying its workers too much or it's got too many employees or the pensions are too generous. So let's do something. We'll sack some employers, we'll break the unions, we'll play [metaphor for financially play in stock markets] with its pension pot. Its suppliers, they're getting too generous terms. Let's crush them." And all of these things kind of extract money and might deliver huge profits to the actual financial players who are involved in this so stuff. And they add debt. They make the company borrow a lot of money and then make it more fragile. So all of this stuff is harming the real economy. But these people are getting incredibly wealthy from these kinds of games, this kind of financial engineering. And again, there is this sense in

Britain certainly, less so in Germany, but there is a certain sense that the richest people are the wealth creators, whereas these kinds of players are the opposite. For me it's like negative investment. It's a harmful investment. You see these investors coming in but this stuff is really genuinely harmful. And so we need to really stop this kind of activity and try and focus on what the real economy and what real businesses are doing and focus on that and make sure that works okay. Make sure the tax system works okay. But don't allow these predators to come in and sort of financially engineer our economies. And that's happening increasingly in lots of countries around the world. I think the United Kingdom, the United States is where it's strongest, but it's coming to Germany. It's coming to poor countries. This stuff is happening in Africa. Financial players going in and looking for very high returns. "Yes, we're going to earn 30 percent returns a year by going into Africa." And, you know, this may sound great, but it's going to end up with these countries being saddled with enormous debts to be paid off for years and years to come. So this is happening all around the world economy. And I think understanding the dangers of the financial sector needs to happen. And that sort of consciousness needs to raise for people to start tackling it properly and not to see it as a kind of a wealth creation mechanism, but to sort of shrink it down to the size where it's providing the useful services that we need, you know like getting money out from an ATM or saving and investing in small businesses, whatever, all this sort of stuff that economies need. And we need to focus on that and move away from the much more profitable but dangerous activities that are increasingly happening, this kind of financialization, this financial engineering of the economy that we're seeing.

**acTV:** What solutions can individuals pursue in order to tackle these problems if their governments fail to respond?

**NS:** That's a very important question. You know, what can I do personally to tackle this sort of stuff? I think changing my consumer behaviour is one possibility. It can help. I personally don't shop on Amazon. I hate Amazon because it's a monopoly. It's basically a monopoly and it's tyrannizing its workforce. But I don't think that personal behavioural change is going to really get us to where we need to be. I think political change has to be the answer. And I also think that this is my personal opinion, I think it is possible to engage with people on the other side, what you might call the enemy, people who are defending what you might call capital or whatever you want to call it, against society, against people defending tax havens, whatever. I think it is possible to engage people on a human level. This is not for everyone. But I think you can. This morning I was looking at a press release from a law firm that was saying in this pandemic, governments are taking these emergency measures and these emergency measures are damaging investors. And here's how we can help you sue those governments to protect your investments. And underneath that press release it had a list of the lawyers with sort of "here we can help you". Why not write an email to one of these lawyers very respectfully, not being abusive or anything like that, engaging on a human level, saying [to them] "I've got a family, I've got children, I'm worried about inequality. And I see you're trying to do this. Do you not worry about this stuff?" This kind of thing, I think, is one possibility. And of course, voting, obviously, that is a very important solution to this problem. But If you can engage with political representatives on some level, on some human personal level, that would also be very beneficial because I think people do respond to that.

I'm quite sceptical of personal behavioural change. It helps, but not enough. I don't believe that Twitter and Facebook are the answers. It's so easy to sit there and click and debate with

people and express your opinions, share things. It can help. But particularly Facebook is a really problematic thing. It's dividing us. It's subverting democracy. So I think the answer is more direct political confrontation, go on a protest, write letters to your political representative, engage. If you've got a topic you're interested in and you see somebody, for example, a lawyer or a banker or someone doing something, in a very respectful way, if you can contact them and engage on a human level and say this sort of stuff is "it's bothering me and I'm worried about my children's future" and this sort of thing. See what happens. But I think things are so serious now that we can't just take little measures [such as] social media and stuff. It's not enough. It's not enough. We've really got to start fighting against this stuff with a view to reducing this horrendous inequality that we're seeing in the world today.

**END**