

## Interview - Richard Murphy

Written by E-International Relations

This PDF is auto-generated for reference only. As such, it may contain some conversion errors and/or missing information. For all formal use please refer to the official version on the website, as linked below.

# Interview - Richard Murphy

<https://www.e-ir.info/2016/07/31/interview-richard-murphy/>

E-INTERNATIONAL RELATIONS, JUL 31 2016

Richard Murphy is a chartered accountant and a political economist. He is Professor of Practice in International Political Economy at City University and was a founder of the Tax Justice Network. His research interests include taxation and its impact on local, national and international economies and the relationships within and between them. He is currently Director of the Fair Tax Mark and Tax Research UK, where he blogs daily. He has published several books, including *The Joy of Tax*, *The Courageous State* and *Tax Havens: How Globalization Really Works* (with Ronen Palan and Christian Chavagneux).

### **Where do you see the most exciting research/debates happening in your field?**

I think that we are in a curious state of transition. Academia has largely ignored a lot of the areas around tax abuse. Economists fundamentally don't recognise that it exists. Macro-economists don't seem to understand tax at all and money doesn't feature in many macro-economic models. Given that the abuse we are looking at is actually a macro-economic, as much as a micro-economic phenomena, this issue has been massively overlooked. The accounting profession and the accounting academics of the world seem to have entirely ignored it. I would put this down to capture as most of them get the majority of their research grants from the Big Four accounting firms (KPMG, PWC, Ernest and Young, and Deloitte). There isn't much money available to do this kind of research which is why it is now being done by sociologists, anthropologists, and political economists, and not by the people you would expect.

The big areas which I think we are going to be hearing more about include the nature of corporate structure, and the nature of the relationship between the state and the corporation. That relationship is in a remarkably fluid state, and over the last 15-20 years there are patterns of behaviour which have been incredibly transient in response to particular measures. Also of interest is how the behavioural response to the process of change has developed and I think this is where the most interesting types of development and research are going on. It indicates what courses of action are likely to succeed and what aren't. These are some of the areas which I am involved in. I am heavily developing relationships between academic disciplines and between those disciplines, civil society and business. I am trying to set up a multi-faceted group in London, around City University, of NGOs, academics and business to look at how transparency can change to actually achieve positive outcomes. I think this is attracting attention and funding interests so I think it is hitting the right buttons.

### **How has the way you understand the world changed over time, and what (or who) prompted the most significant shifts in your thinking?**

I was interested in economics and accounting from the age of 13. I studied it at school when I was also interested in trains. Instead of doing the conventional things with trains I read about the history of transport – I read 400 volumes of transport history by the time I was 16, which is quite sad and a bit geeky. So I may know more about transport history than economics (I've got over a thousand books on transport history). I realised that the history of the company and accounting was fundamentally the same as transport history in the UK – the two developed in parallel. That got me interested in the social impact, how mergers and acquisitions work and things like that. So that is how I learnt about economics, I decided I was going to be an accountant for 20 years, then 20 years as an academic and then I would retire – though I've given up on the idea of retirement.

## Interview - Richard Murphy

Written by E-International Relations

I did 20 years in practice, setting up my own firm after being trained by a part of what is now known as KPMG. I was heavily involved with business as well, where I was sold advice on how to use offshore and I hated it. I decided I wouldn't do it, it felt like lying. This was at a time, in the 1980s, when nobody had such a position on offshore.

The firm that I created was quite odd at the time in the sense that it was female dominated, and for quite a long period I was the only man. It meant that we had a different clientele, a very strong female and gay clientele. We couldn't have done this anywhere else but London as we were quite radical in a sense and quite broadminded at a time when accountants generally weren't.

We said to people that we wouldn't do offshore or artificial tax planning, and that they would always pass a revenue investigation. We were quite open about that, we were going to help them make money but we weren't going to do it by abusing tax. It worked but I always knew that this was part of a plan and by the late 90s I was beginning to work with my former tutor. We began to write some papers on transparency and accountability but I knew that there was more to do.

I met John Christensen, the founder of the Tax Justice Network in 2002. Neither of us expected to become full time campaigners and form what I think is a social movement. The EU has probably spent more money studying how we have achieved our results than we have. Some of this can be found in a European Policy Brief. Both John and I were pretty clear about what we were trying to achieve – changing the whole structure of offshoring, and the neoliberal capitalist system which requires offshoring and tax competition as the basis of it, while firmly believing that there is a role for markets.

My world view didn't really change very radically over this whole period: I went to university and I realised that in the first term I was being retaught everything I had learnt in year 12 and 13 at school. I bought this when I was 17-18 but by the time I was 19 I began to think that basic standard macro-economic theory was just rubbish. I wrote that in my first year exams which wasn't a good idea – I succeeded in getting a third. I argued with everybody for the next two years but delivered the required papers for my finals. I did ok and I think my tutor actually wrote a note somewhere to say 'well done, you hypocrite'. My world view was formed at young age. I am a Quaker and have always had a social conscience, which is why I couldn't accept offshoring. That said, I have learned and developed a lot and there are some things I did as an accountant that I wouldn't do now – nothing illegal but some things that may be considered as avoidance. If you don't learn from experience and change your mind I don't think you actually achieve much in life.

### **Last year you published '*The Joy of Tax*' – can you explain where there is joy to be found in tax?**

The joy of tax is in its ability to shape society. I think that is very powerful and I don't think it has been used or understood as yet. On occasions some of the tax justice movement, if I was to be critical of some at the campaigning and NGO ends of it, are a bit keen on being negative and oppositional. I am always interested in solutions and something positive. I would like there to be more work on the tax gap, domestic tax evasion, and better taxation systems, such as a green tax system which is massively under thought out. I have proposed what I call a 'CUT' – a carbon usage tax, which is actually a financial transaction tax on private bank accounts. This has horrified people but it would actually be a progressive consumption tax rather than a regressive one, and would replace taxes on employment such as national insurance.

### **In your 2009 book (co-authored with Ronen Palen and Christian Chavagneux) *Tax Havens: How Globalisation Really Works* you argue that tax havens have become among the most powerful instruments of globalisation, one of the principal causes of global financial instability, and one of the largest political issues of our times. Is this still the case or have things improved?**

Behaviour has changed. We have seen from the Panama Papers that Mossack Fonseca are now closing two shell companies for each one that they create. Large companies are telling me that they are going to be getting rid of their subsidiaries in tax havens as there is more risk and likely reputational damage. So you might say, oh great, we have solved the problem, however though I do think there will be less offshore tax evasion, I think the location where tax evasion takes place will change – It is now easier to conduct tax evasion inside the UK than it is inside a tax haven. It

## Interview - Richard Murphy

Written by E-International Relations

is easier to maintain anonymity in the US than it is in a tax haven. A company is less likely to be broken open in Delaware than it is in Panama. So why go to Panama when it is so easy to incorporate in Delaware – it is absurd, but true.

Mind you, the Big Four say they don't see a reduction in tax haven use anytime soon – they say they use tax havens for regulatory purposes and that company law is much more flexible in these places and therefore they can do things offshore they can't onshore. I think that is an interesting point, if that is true then we need to think about why it is easier to reduce capital in the Cayman Islands rather than the UK and if that is the real reason why people are using the Cayman Islands what are we doing about it. However, I don't see the demand to look into it.

I think the nature of the beast will morph for a while. You have to look at the whole issue of offshoring at various levels. The evasion issue has been highlighted and blatant evasion may be decreasing. However, I think the corruption in developing countries is not going away, because there isn't a control mechanism or incentive. I don't think the money laundering regulation is going to make much difference there either. Transparency and information exchange isn't going to have any impact inside developing countries because the information is not going there. So I think this remains a major developing country problem.

There are occasions where I regret that we put so much emphasis on tax havens because the tax gap is much bigger than the issue relating to tax. It is a big issue for the development agencies but even then there is a domestic tax gap in every developing country which is still about tax evasion and several failures – to develop proper tax bases, to invest in proper tax systems, to collect data, to design a system for particular economies, or to provide the appropriate incentives. All of these issues have not really been addressed by the tax justice movement. In my work I have tried to address these issues and I find it a little frustrating that development agencies are not taking this up. I try to talk to them about some of the ideas in *The Joy of Tax*, which is about designing a better tax system for the UK, but it is a model which could be extended to other countries.

### **Do you think the issue of tax justice is inherently left wing?**

No, I don't think it is inherently left wing. I am clearly left of centre, I don't deny it, I am a social liberal. I would be identified as being on the left of British politics, although I am not a member of a political party, which is deliberate, for funding reasons as much as than anything else, though I quite like not being a member of a party.

I genuinely believe that tax justice would benefit markets and help address the many imperfections within the market which are creating real problems for businesses. It would also address the issue of businesses being treated differently. I would urge a sensible review of how businesses need to be reappraised and how multinationals need to be taxed. I think we can come up with a better solution, it is as simple as that.

I don't know if there is another successful model for a western democracy, other than a mixed economy, yet we hear politicians talking about how the state is useless and I don't get that. They want to get power by capturing the revenue streams for private gain, that was the thesis of my book *The Courageous State* – why are schools or the NHS being privatised in the UK? To capture the revenue stream.

I feel that capitalism has reached an impasse and it isn't innovating or investing, it is using volunteerism as the basis for its growth. It is trying to capture income streams but in doing so it is not actually delivering new value and there is little interest in taking risk. We've moved to an era where the wealth disparity is so great that people are behaving in a way which protects those at the top of the pile. They are behaving very negatively to preserve wealth by trying to deny entry to those who are outside of their elite. We are seeing major distortions within capitalism, it is becoming a defensive mechanism and not a proactive, innovative process. Naturally I am an entrepreneur and I was a market entrepreneur and now I suppose I am a social one. I just don't see that vigour and life in capitalism at the moment and I wish it was there because I think it would be beneficial and it would make the market a partner of the state, which would be much more useful.

### **Given your own experience studying economics, how are you approaching your teaching of International**

## **Interview - Richard Murphy**

Written by E-International Relations

### **Political Economy?**

My course 'economics of the real world' is quite challenging. The focus of the course is to apply some micro and macro-economic, international relations, and international political economy theory, and the history of economic thought. I have said, here is theory and now we are going to add a real world question with it so it is useful for the outside world. I have introduced them to some reports and data and then put them in teams to write a report, which looks very like an academic paper, but also considers the policy implications. The students are divided into teams – and I was surprised to see that most of these ended up being single gender.

Curiously, many students had to go back and rewrite their research question as it was hard to find the data. This raised the question – what does this say about the theory? The theory suggests we have perfect information, so what do you do when you haven't got it?

Really the whole focus is making students deal with the idea of uncertainty – in data, in theory, in how to draw conclusions, to interpret and use new techniques and to make them realise that this nice model that most economists use is actually nothing like the real world that you will encounter.

### **What is the most important advice you could give to young scholars of international affairs and economics?**

Keep an open mind. Make sure it is yours.

—

*This interview was conducted by Jane Kirkpatrick. Jane is an Editor-at-Large at E-IR.*