The Taxcast, May 2023: Markets and monopoly power

Naomi: “Hello and welcome to the Taxcast, the Tax Justice Network podcast. We’re all about fixing our economies so they work for all of us. I’m your host, Naomi Fowler. You can find us on most podcast apps. Our website is www.thetaxcast.com You can subscribe to the Taxcast there, or you can email me on naomi@taxjustice.net and I’ll put you on the subscriber’s list. Let me know what you think of the show! Coming up later on the Taxcast - the state of Minnesota nearly took a historic step for tax justice this month. But the lobbyists won - for now:"

Alex Cobham: "If you're a big four accounting firm or one of the major law firms that support multinational companies in their tax abuse, this is guaranteed to freak you out. What you want is to make sure that nobody ever tries it, that they feel the threat, the pressure before they get to that decision point, and they don't go ahead. You tell them everything will go wrong for you, you tell them anything!"

Naomi: “Aaaah it was so close! We're going to talk about that later. But first, the threats from monopoly power. A world where dominant multinationals get to run the world isn't a happy place. Or a very secure one, as it turns out. For such a long time governments have been absent from taking the threat seriously and dealing with it. In the United States what they call the 'anti-trust' movement has a long history - the Biden adminstration has actually been much more active in protecting people and the economy, more than any adminstration in decades actually, there's a VERY long way to go, obviously. But everywhere really, the threats posed to us all from monopolies just aren't that well understood, some of the effects on our lives aren't that obvious. And really, it's more accurate to call it 'concentrated market power', 'cos we're talking about saturation by only a handful of companies in each sector. So what does that look like? Well, according to one estimate we've got a problem when only four companies are getting 40% of sales. That's a market that's distorted and it's lost its competitive character."

Nick Dearden: "The increasing build-up of corporate power, the increasing concentration of corporate power over lots of different bits of our economy over many years is actually the central feature of our economic system."

Naomi: "This is Nick Dearden of Global Justice Now:"

Nick Dearden: "If four corporations have cornered the entire global market in grain, they effectively decide what gets grown and how, they decide what food we buy and at what price. They decide what we eat. And indeed who doesn't eat. And you can apply that logic across the whole economy."

Naomi: "It sounds a bit simplistic to say this but it seems like we only have one value - and that's the sacred right to make a profit, no matter who gets hurt or killed. The climate crisis and lack of proper action is an obvious example."

Nick Dearden: "Yes, and it's endangering our very existence on this planet. And if we're honest, you know, big business does not operate in any kind of a free market whatsoever."

Naomi: "It's often hard to see the era you're living through when you're in it, but we've been living through a neoliberal era for a very long time. But now it's beginning to crumble. Here's journalist Nick Shaxson, formerly of the Tax Justice Network and now with the excellent Balanced Economy Project. He's speaking here at Yale University and describes here the kind of waking up with a hangover from the big party the night before..."

Nick Shaxson: "The new idea was that we should stop worrying about democracy, we should stop worrying about power, we should stop worrying really about the structure of markets and we should boil everything down narrow everything down to consumer prices and as long as consumers are happy everything's great, and we should also focus on the internal efficiency of corporations, if corporations are efficient then they're going to spread their wealth around and everything will be fine, so don't worry about these other issues. This story, that was one of the components of what many people call neoliberalism, spread rapidly, it was obviously very well funded and it became the dominant narrative and it effectively allowed for the massive consolidation that we've seen since then. Private equity firms were among the drivers of this consolidation, buying up firms all over the place and bolting them all together, but many other drivers of consolidation. There was effectively a falling away of the state, the state decided to stand back and this was both under Republicans and Democrats, all the way up to the Trump administration. And so you had this story that once you start picking at it's so obviously incoherent, it's obviously wrong but power was with it and it carried, it survived and flourished across the world, spread across the world, spread to Europe, spread to other countries to Australia to Asia, to lower income countries and so we have the giants of today and there's pretty much no government anywhere has been effectively cracking down until very recently. So the new movement came along with this new story saying 'we need to start thinking about power again, we need to start thinking about democracy, we need to start thinking about the structure of markets and we need to start taking down these giants and regulating with confidence again in the interests of people.'"

Naomi: "Yes! Obviously the most recognised monopolies are easy to see because they clearly wield too much power - like Facebook, Amazon and Google. And not all monopolies are a bad thing - I mean, a well-run state healthcare monopoly that has the buying power to keep medical costs down and tackle pharmaceutical giants seems like an undeniably good thing. The National Health Service here in Britain is humanity at its very best, I've seen that for myself. And we used to have public-owned railways, public-owned water - sadly we lost those. But we can't say all state-owned monopolies are run in the public interest in the ways they should be - we've got creeping private sector involvement, and sometimes the same extractive processes as any other dominant company. So our solutions must be about enshrining rights to essential things we all need, keeping them firmly in the non-profit sector. It's gotta be also about democratising ownership and control, as well as - of course - breaking up corporate power where we need to.

And it's bad. Very bad. In the States, despite the Biden administration being the most active for decades in tackling these big mergers - the top 1% of corporations make 81% of all sales and they own 97% of all assets. You can check out stats like that on www.businessconcentration.com - it's pretty interesting. The biggest market players dominate our every waking hour - what we eat every day, how we travel, how we get our news and information, who we bank with, they influence what decisions our governments make, how much we pay for stuff, how much we fall short in tax revenues and the consequences of that. But if it seems like we're taking on the impossible here, we're not. As any good freedom fighter will tell you. Here's Nick Shaxson again:"

Nick Shaxson: "I worked with the Tax Justice Network for many years. I started not quite at the very beginning but near the beginning, and it was just a tiny group of us and we had some demands and policy proposals that you know the powers, you know everybody said 'oh that's utopian nonsense, nobody's ever going to do that' and all of those proposals are now to one degree or another, with many gaps obviously, but have been accepted as mainstream policy by governments around the world. I've seen from the inside of a movement having you know some significant success and, you know, we made a lot of progress. Not as far as as much we want but the whole international tax justice movement, we did achieve a lot."

Naomi: "That's Nick Shaxson there, speaking at a recent event held by Global Justice Now called 'the threat of monopoly capitalism.' And you can't really separate monopoly power and market concentration from tax havenry and corporate secrecy - all of them have happened because we've allowed huge imbalances of power across our economies. And just like tax havens and the companies who use them, it's the same, it's all about 'escape' - escaping things they don't like - whether it's taxes other small businesses pay, regulations, laws, accountability when things go wrong, transparency about how they operate or which politicians they're funding. Here's Nick Shaxson again:"

Nick Shaxson: "One of the things that I think is very important is that monopoly is - it's like privatisation, it's a form of privatisation, in a way privatisation of regulation because if you get a bunch of companies together and they form a cartel, their bosses collude to um rig prices or rig wages or whatever that is subject to public regulation, there's anti-cartel laws and rules around the world and they can be stopped, they can be fined, they can be punished for that with public state regulation. But the alternative - and that's what all the companies have been doing instead is just merging, they just join together and once they're merged together it's like a reinforced legalised version of a cartel and the public regulation has been pushed out, so we are seeing monopolisation as a kind of privatisation of regulation."

Naomi: "Underlying the neoliberal era and globalisation was always the philosophy that markets will answer our needs and solve our problems. The pursuit of what's the cheapest, with no other consideration - the State's job is to get out of the way. But we're finding out why that philosophy is so dangerous - and why markets left to their own devices can do the opposite of solving our problems. Here's Nick Dearden again:"

Nick Dearden: "You can take a number of different sectors and look at it and, and see the problems. But what was really interesting to me about the pharmaceutical example was the more I started looking into it, these pharmaceutical corporations like to say, 'we need these monopolies because otherwise we'd have no incentives to provide the medicines that society desperately needs.' And it's a complete and utter lie. Actually, the more power they have accumulated, the less creative, the less inventive they have become. It isn't simply a matter of, they make some really important medicines and then they squeeze as much profit out of it as they can. That was may be the case in the 1960s and 1970s. Today, it's not like that at all."

Naomi: "Yes, we've seen how big companies put their efforts into financialising every aspect of what they do, and that includes minimising their taxes. Pharmaceutical companies - just like in pretty much every sector - have merged to the point where in the US between 1995 and 2015, 60 pharmaceutical companies merged into just ten. The number of companies producing vaccines fell from 26 in 1955, to 18 in 1980, to only four in 2020. Do you remember that urgent chasing of covid vaccines by different nations? This stuff left the world at a huge disadvantage dealing with Covid, especially poorer nations."

Nick Dearden: "Pharmaceutical corporations are more like hedge funds. They don't do, they don't invent any of the medicines, you know, or very few of the medicines on their books, they buy out other companies that have done that research, they then sit on literal monopolies, I mean, you know, through the intellectual property, basically only that that company can make this medicine for at least 20 years. And there's all sorts of ways that they try to extend that, and they squeeze as much out of it as they possibly can, because they're making so much on every single sale, if you can only sell it to a few rich countries' health systems, well, that's okay, you know, and actually the very value of these companies comes not really from how much they sell, but from the value of the intellectual property they hold and how much investors assume that's gonna be worth in the years to come. So it's extraordinary really, because this system is supposed to be all about, you know, rewarding innovation. But what it's actually done is completely hollowed out these enormous corporations. And I mean, I've just looked at the amount that these corporations return to their investors through dividends and share buybacks, it way exceeds their research and development budget, indeed for most, for most years, it exceeds their profit. It exceeds their net income. Because we live in a political system, in an economic model that assumes that the market will provide, it assumes that these corporations have all the answers, we've eroded all the institutions that would have allowed us to provide a counterbalance to all this. And so when the pandemic struck, even though basically all of the research into those medicines had already been done by the public sector or small biotechs, at the end of the day, we couldn't actually produce them because we're still dependent on these tiny pipelines. And so we had to turn to Pfizer and Moderna and AstraZeneca and say, 'take all the money you want,' um, handed it over. Now AstraZeneca behaved a bit differently, of course, but Pfizer and Moderna, I mean, sold hardly anything to the vast majority of the world, they just weren't interested. Absolutely shocking! And that's not just, it's not just morally wrong, it's stupid because as long as there were huge parts of the world unvaccinated, we were all at risk of a new, more virile and more deadly strain of the virus coming out and undermining the vaccines that we had had. But that seemed to be as of nothing to the pharmaceutical companies because well, if the, if the pandemic goes on longer, you know, there's simply more money to be made. So there's no interest, it's not only that there's no interest in equitably selling the medicines the world needs and researching the me the medicines that that, that, that all people urgently need. There's not really any interest in researching anything other than, you know, drugs that have marginal differences on chronic diseases because those are the most lucrative drugs."

Naomi: "And even if politicians in the wealthiest countries in the world don't care about equitable access to drugs at prices that aren't taking advantage of market dominance, they should care about this:"

Nick Dearden: "We are faced with antimicrobial resistance. Yes, we've overused antibiotics massively, but the pharmaceutical industry hasn't researched any more of these things because there's no profit in it, essentially because they would be second, third generation antibiotics that wouldn't be used very much for the next 15, 20 years anyway. They're not gonna make anything of them. Look, you just need to nationalise parts of this industry. It is simply not fit for purpose."

Naomi: "When you look at the logic of governments letting the biggest companies decide on supply chains based only on the bottom line - without any thought about global security, the world we've allowed corporations to build gets riskier and riskier for all of us. This is MEP and competition lawyer Stéphanie Yon-Courtin speaking in Europe at an event called 'How Monopoly Threatens Democracy and Security:'"

Stéphanie Yon-Courtin: "The pandemic has highlighted the EU's long-existing structural problems related to the supply of medicines and the higher dependency on third country import for certain essential and highly critical goods and materials. In the wake of the pandemic it is as if we finally found out that we were 100% dependent on third countries such as China or India. One of the key lessons of the crisis is that there is a need to get a better grip an understanding of where Europe's current and possible future strategic dependencies lie. The notion of resilience of supply chains was already much discussed before the pandemic in the context of ensuring availability of resources necessary for the twin transitions - green and digital - of the economy and society in Europe. It became as pertinent as ever with the crisis. Now facing this situation it seems clear that our competition policy plays an essential role - it's one of the tools, a key one to increase our strategic autonomy and our industrial policy that could secure supply chains. I think we are slowly moving from a naive Europe to a pragmatic and realistic one - no choice. Now, with the Russian invasion to Ukraine we have no choice, no choice to face our dependency to Russian gas."

Naomi: "In the case of Russian gas, markets - and the German government didn't come out of this well either - allowed storage and pipelines to be monopolised, ignoring the obvious security threats. It ended up enhancing the dominant power of Gazprom, majority-owned by Russia, an expensive lesson. Here's Christopher Gopal of the Global Supply Chain Center, at the University of Southern California, he's speaking at the same event:"

Christopher Gopal: "The Russia issue is huge and will cause a great deal of grief to a lot of people, but this is nothing compared to the type of impact that something over in China and Taiwan can have on us. Russia has probably four to six major leverage points by which it can disrupt supply chains and some of them are not global. China has hundreds. Just to give you one example and when I say people are not ready for this, when we talk about the chip industry and the chip problem, what we felt in covid was a hiccup. If the chips from China and Taiwan are blocked from coming in for any reason, those two together own about 20 to 30% of the world's production and the high-end chips. More to the point, the impact is not just on the chip industry, 100 billion dollars of plus. Those are the primary industries, the impact goes under the secondary industries, defence and aerospace, automobiles, heavy trucks, industrial equipment, infrastructure, all of these things and then cascades to things like tourism, food production, traffic lights, shipping, everything else. Something like that would have enormous impact, it could bring countries to their knees. I mean to say even worse - there could be even worse than semiconductors is pharmaceuticals - China produces, you know, the numbers vary from place to place but 90% of the antibiotics. A lot of the pharmaceutical chemicals, the APIs used in the production of pharmaceuticals, cortisone, all of these things, ascorbic acid - if that gets cut off we have no pharmaceuticals, we have no antibiotics, you know enough with the, the place comes down because lack of semiconductors, the place comes down because we have no medications. Our PPEs and so on are built in those areas, a cut off in those areas would be calamitous."

Naomi: "Here's MEP Stéphanie Yon-Courtin again on better competition policy Europe needs:"

Stéphanie Yon-Courtin: "If the political will is there, that's another question. Let me name a few, four main milestones. First I think a paradigm shift in the objective of competition policy - the objective of competition policy I think has moved from a single perspective of maximising the interest of consumers to a more balanced objective, particularly with regard to taking into account Europe's industrial interest. Second is the resilience - the resilience is now mentioned clearly as an objective of competition policy, and from now on competition policy instruments will also have to take into account resilience issue for all supply chains, that's quite new. Third point is the announcement of a new competition framework, you know, including stated for semiconductors. I think this is a major step forward and a kind of an implicit recognition that the current framework is not adequate to address the urgency of the crisis and the importance of this dependency issue. We need to multiply this approach I think without waiting to be paralised by drug, semiconductor shortage and think about now, right now for Europe. And the vaccine crisis has shown us that being excellent in research is not enough to meet our needs, we need to know how to produce, we need the right scale and vision necessary to overcome persistent industrial weaknesses."

Naomi: "Big challenges - much of them caused by markets and market domination by a few companies. But that sounds to me like many European governments are recognising that States can no longer just stand aside. And at the heart of all of this has been misconceptions about 'competition.' You hear that word all the time, but in the neoliberalist era it moved from meaning businesses competing with each other on innovation and efficiency, to competiton between nations - so, governments climbing over each other to cut labour rights, cut taxes, cut regulation; a race to the bottom. In the long run that reduces real competition when it comes to creativity and diversity - small and medium companies get crowded out and governments don't seem to know how to encourage anything else. And something as valuable as 'collaboration' doesn't get a look in. But, going back to the pandemic for a moment - despite all those troubles in - for example - sourcing PPE during the pandemic across the world - do you remember that? What's happened since then? Well, most countries have defaulted to relying blindly on markets again. Christopher Gopal again:"

Christopher Gopal: "From all my discussions with people in Europe and they've been mainly companies I have to have add, nobody, not Europe, has governmental policy. We are going back to the old normal, you know the financialisation of the supply chain where we hit just-in-time inventory, lowest cost, assets going out and for instance one of the biggest companies in the US, in the world rather, has just announced that they're going back to China for cheap chips. Not having learned any of the lessons."

Nick Shaxson: "This is about the corruption of markets really and this is about markets not working as they should."

Naomi: "Nick Shaxson again:"

Nick: "I think the United States has been so lax for so many years that anything that Europe does look good. Having said that, the record in Europe is appalling. Just for example I was looking the other day at the merger statistics. I think they get about 15,000 mergers a year in Europe and of those maybe I think three or four hundred get notified you know 'here's the merger it's it's potentially gonna cause competition concerns, you guys are gonna have to look at it.' If you look at the record of the mergers that are notified, which are mergers of potential concern since 1990, 0.4% of those have been prohibited - almost nothing - they just don't block mergers, so that's a sign that there's serious trouble. Anybody who looks around in Europe will know that we have a problem with big pharma, with big agriculture, with big retail, with big tech, with the big four accounting firms, with big banks - we've got the same problems. We have social democracy here in Europe that takes off some of the hardest edges of these things but I think that whereas social democracy in Europe has been quite effective in certain areas such as tax policy, in terms of excessive concentrations of power, I think Europe has basically drunk the kool-aid. The fines that you see - several billion dollars on the the tech giants look big - you know once you have the number of billion in there it makes a great newspaper headline but again it's almost a rounding error in the actual size of the profits that these companies are making, so Europe is especially weak in this area. It's a very nuaunced picture, of course there are positive things you can say about Europe, but Europe is not in a position at the moment to spread a beneficial Brussels effect around the world in this area. We're working with hope to spread this new story and over time this is something that takes years to do to shift things in Europe so that Europeans wake up and I think Europeans are quite capable of waking up and doing things differently, I think there's a lot of questioning going on."

Naomi: "Nick Dearden again:"

Nick Dearden: "To prevent the increasing concentration of capital is really important. The problem is, I think competition regulators over the last 40 years have almost forgotten how to do that job. Although I am heartened by the fact that an antitrust activist was appointed, to the head of the US central regulation body, Lina Khan, and I'm even more heartened that she seems to be taking that job really seriously, I mean, only this week really interesting that they're challenging a big pharma merger. And so, you know it is not the only answer, but it is part of the answer. We're in this economy, which is supposed to be all about, you know, promoting small businesses. And we hear this from government all the time, and it's just the opposite of the truth. In the sector I know best, the pharmaceutical sector, your only option, your best business model is 'how can I get bought out by Pfizer?' That's it! I mean, what kind of a balanced economy is that creating? None, obviously."

Naomi: "Yeah, quite! So what are the key things would you say to tackle market concentration, monopoly power?"

Nick Dearden: "I would argue three things. First of all, what Biden has already started to do, which is industrial strategy, which is using the power of the state procurement and so on to begin shaping the economy. The thing I want to make sure is that doesn't just become a form of corporate welfare. That doesn't just become about de-risking the kind of investment that you want. There's got to be a very clear public return. If we are putting this in, what do we expect back? And that's gotta be about reshaping the way that the private sector operates. I think the second thing obviously is, is more use of alternative forms of economic unit, whether that be public sector but also, you know, cooperatives, I mean, let's give some real competition to these behemoths and create that more balanced economy. And that's not just gonna happen, you know, that needs a framework and a plan by government. And I think third, and I know this is gonna be welcome on your show, it's financial regulation - because the deregulation of finance is absolutely crucial to how all of this happened. I mean, two or three massive investment funds now own a significant proportion of virtually all corporations traded in London and New York, and they are driving these kind of incentives ever more towards profit maximisation, and that is helping this corporate concentration, there's only the big monopolies that can thrive in this kind of world. Because of financial deregulation, of course, as well, these behemoths can shift their wealth around the world and avoid taxes because we have such a financialised economy - as we've already talked about, you know, big pharma doesn't particularly make medicines that we need anymore, what its job is, is to maximise shareholder wealth. So, you know, again, I think, I think financialisation is, is for me, the other side of the monopoly capitalism equation, and I think we cannot properly bring this kind of economy to heel and make it work in the public interest without controlling that, and without regulating how capital can be used."

Naomi: "Yes, yes. And tax is such a strong tool for shaping markets and encouraging things that we want to see and discouraging things that we don't want to see. This comes down to the fundamentals of the purposes of tax, I mean there's five Rs of tax - everyone knows the Revenue 'R' - but the Repricing one is crucial here - pricing damaging behaviour out, and incentivising activity that's beneficial to the majority of us. I'll put a link to the five Rs in the show notes, but tax fixes, just off the top of my head - there's excess profit taxes, financial transaction taxes are an obvious one, wealth taxes, windfall taxes, taxes to address the climate crisis - the list goes on, and governments just aren't using the taxes that are available to them in the public interest. OK, thank you Nick Dearden for joining me on the Taxcast. He's got a book coming out all about the pharmacuetical industry later this year - Pharmanomics: How Big Pharma Destroys Global Health - I'll link to that in the show notes.

So, let's head to Minnesota now in the United States. There were many eyes on Minnesota this month - we had great hopes, but there was huge scare-mongering by lobbyists, all because it looked like Minnesota might take a historic step in making big companies active there do worldwide combined reporting. It could have raised an estimated $600 million in extra corporate tax revenue over the next two years. Very sadly, the enabler professions and their arguments won the day and the proposal was dropped from the bill. But why do they hate it so much? Here's Alex Cobham of the Tax Justice Network:"

Alex: "The idea of worldwide combined reporting sounds kind of technical and boring, but it's really powerful. What we're talking about is when US states decide the basis on which they're going to apply a formula to work out how much profit they should be allowed to tax from a given multinational. Instead of looking at their share of the multinationals' declared activity in the United States as a whole, they would look at their share of the multinationals activity globally. Now what that means is at a stroke, you put a pen through any profit shifting that the multinational is doing anywhere. And you're just looking at, you know, if 1% of your global sales and employment, let's say, is in Minnesota, if that's the formula that you're using, then 1% of the global profits will be taken as tax base by Minnesota. So you more or less switch to a complete unitary basis, you assess the profits at the unit of the multinational itself and you give up on the arm's length principle that the OECD and before that the League of Nations have been defending for a hundred years, even though it's become increasingly clear to everyone that it just doesn't work, and that profit shifting is the only result of trying to do corporate taxation on that basis.

But here's the thing, because this is such a good idea, because it is simple and powerful and pretty difficult to, to cheat, there's enormous interest for the lobbyists in making sure it doesn't happen anywhere. Because if it happens in one place, whether that's one US state or one country, as soon as it becomes clear that it works, which, you know, I think there's a general confidence that it absolutely will, and that it raises significantly more revenue, um, than trying to make arms length pricing or anything else work, then the demonstration effect to everyone else is going to be enormous. Why wouldn't everyone just do the same thing? And of course, if everyone does the same thing, the effect is that there is no possibility of double taxation. If everyone says 'we're gonna take our share of the global profit,' then if that's done right, all global profit will be taxed precisely, once and once only. No double taxation, but also no double non-taxation. So if you are a big four accounting firm or one of the major law firms that support multinational companies in their tax abuse, this is guaranteed to freak you out. What you want is to make sure that nobody ever tries it, that they feel the threat, the pressure before they get to that decision point. And they don't go ahead. You tell them you're gonna lose all of your investment if you do this, everything will go wrong for you. We will hang you out to dry. We will make an example of you as people who don't understand how to do corporate taxation. You tell them anything, you tell them, you'll give them money for their political campaigns if they don't do it, whatever it is. Not that I'm accusing anyone here of corruption, I'm sure, but the point is, you are desperate to stop that first state, that first country trying this. And, you know, that's kind of what appears to have happened in Minnesota. We don't know the basis on which the lead Democrat who brought this all the way forward flipped at the last moment and just took it out completely. But we do know there was an enormous amount of lobbying and we do know that that's what happened. So we don't know the decis - the basis of that decision, but you can be sure similar things will happen in each other case."

Naomi: "I bet! If Minnesota had passed this proposal to implement combined worldwide reporting it could have shone the light not just for other US states to follow, but for other countries too - they could implement this couldn't they?"

Alex: "The G24 group of lower income countries brought forward a proposal, you know, not dissimilar to do that globally, within the OECD inclusive framework process. And that was what pretty much demonstrated that the inclusive framework was not inclusive because the, the framework group of countries agreed that that would be the work plan for the secretariat, they would evaluate it and a couple of other options and then come back. And the secretariat at the OECD never did that. They didn't do it because before they got there, the United States and France did a bi-lateral deal on a completely different approach, and then the secretariat came back to the inclusive framework and said, 'hey, this is, um, this is the way we're gonna go instead.' So it became immediately clear, this is back in 2019, that the inclusive framework was a sham. There was no inclusivity for, for non-OECD members and that that type of option, even though the OECD had promised to the world to go beyond the arm's length principle in that process, they didn't mean going that far beyond, just a tiny tiny tiny little bit as they're now trying in Pillar One. And that's why the OECD process, of course, isn't gonna really change the world because they gave up on the original ambition. And again, we'll never quite be sure if that was the result of really intense lobbying but we know there was an enormous amount of lobbying and we know they were pushing very hard to limit the extent to which the OECD did actually go beyond the arms length principle. So here we are."

Naomi: "Here we are, yeah! So, lower income countries already tried to propose something like this combined worldwide reporting in the OECD, the not-so-inclusive OECD - which is after all, a rich countries club? Would it be easier, or harder for countries, rather than a US state like Minnesota to implement this?"

Alex: "You know, it'll be interesting to see which is the next US state to consider this, given how much revenue it's likely to to generate. For countries though, there is a limitation, which is that most countries have a significant number of double tax treaties that probably makes it impossible to go straight to a unitary approach of this sort and simply tax your share of the global profit. Now, that doesn't mean that no one should do it. What it means is you probably want to do it in a group of like-minded countries and agree together that you will set aside these treaties. The European Union is still taking forward its BEFIT proposal, which would effectively do this within the EU. And there's a question there about whether that can be extended, as in the Minnesota proposal to a worldwide combined reporting basis.

Naomi: "BEFIT - that's the EU's “Business in Europe: Framework for Income Taxation” - it's supposed to be a 'single corporate tax rulebook for the EU, providing for fairer allocation of taxing rights between Member States.' So where do the G24 group of lower income countries go? I mean we all know the OECD isn't the place to get what they want, so how about the United Nations?"

Alex: "There's also the process now around the, the proposal for a UN framework on international tax corporation. We know that both the African and the Latin American and Caribbean regional discussions have included the possibility of pushing for unitary taxation, which could be done at the regional or the UN, the full global level. So in a sense, if things get blocked by some OECD member countries, for example, within the UN process we could see regional moves to jointly, unilaterally move towards unitary taxation and their sort. So there's a lot to play for. That's a huge amount of revenue involved, in effect the 312 billion, that's our last estimate for the annual tax revenue losses due to corporate tax abuse by multi-nationals. That would more or less be available to be reclaimed if countries switched to a unitary taxation basis. Bigger amounts of money in high income countries, but a bigger share of current tax revenues in lower income countries. So really a pretty strong incentive for everyone to make that shift. And it's only the lobbying that continues to hold that very sensible step back. This year might be the year that we see that dam start to crack, and particularly within the UN process and the related discussions. Whether or not this proposal starts to become more concretely possible Minnesota might just be an early sign that this could be on the way."

Naomi: "Let's hope! You've been listening to the Taxcast from the Tax Justice Network. Thanks for joining me, we'll be back with you next month."