

The Taxcast, October 2022 transcript

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 If you’re on twitter, we’re on @thetaxcast. And if you want to make sure you never miss a Taxcast, email me on naomi@taxjustice.net and I’ll put you on the subscriber’s list.

Nelson Mandela famously said, “Education is the most powerful weapon which you can use to change the world.” Yet millions of children in the world still don’t even get to walk through the school door. This month on the Taxcast - education and tax justice. The challenges, and the ways forward. Most of us have a story to tell about teachers who changed our lives and inspired us. I asked my family for theirs:”

Speaker 1: “Oh yes, my history teacher was brilliant, this was in my first year in secondary school and he wanted to teach us about the fall of the Roman empire so instead of telling us about it, he basically acted out the whole of the fall of the roman empire as if he had loads of plates on sticks, and he ran up and down the classroom pretending to spin all these plates and showing how there were so many plates spinning that they gradually started falling off and that was my history lesson and I’ve never ever forgotten it – how empires collapse. And I attribute to that the beginning of my interest in colonialism.”

Naomi: “That’s my sister. I was lucky enough to have the same teacher – Mr Smith he was called, he really fired our imaginations and helped us do things like create an imaginary nation where we all held positions of power and planned how we would run things – we called it the nation of Rumthovia. He really made us think. Here’s my parents teacher memories:”

Speaker 2: “Mr Kirkham was a very dapper and quite small man and he was our music teacher. He taught me how to sing and since I’ve been deaf-ish all my life, it’s had a particular value for me. I’m quite quite sure in my own mind that it’s helped me with my hearing. He encouraged us to form a music society. He also used to invite former concert performers who’d come along and perform for us and I used to sit there with my eyes closed concentrating on music and that has stayed with me all my life. I cannot tell you how valuable for me that has been.”

Speaker 3: “My idea of an inspiring teacher is my music teacher and her name was Miss Ward, Betty Ward, I had a wonderful music education with her, she taught us the history of music, the development of music through the ages. I’m now at the age of 76 and I’ve never forgotten anything that she taught me. Something reminds me of her every single day. I’ll never forget her and I’ll never forget the influence she’s had over my life.”

Naomi: “Our teachers live on forever, don’t they? Education changes everything. Article 26 of the United Nations Universal Declaration of Human Rights is supposed to help guarantee the right to a free education for girls and boys. Most countries are signed up to that. It’s a UN sustainable development goal. Yet according to UNESCO about 258 million children and young people *aren’t* in school – a staggering 59 million children of primary school age, 62

million of lower secondary school age and 138 million of upper secondary age. That's a failure of government, for sure. But it's also a question of resources. And that means we have to look at the *tax systems*, not just those of the nations facing the most challenges, but the *global tax system* too. We need to focus on some of the wealthiest governments and financial institutions that play such a central role in denying children's right to education by blocking fairer tax reforms and failing to tackle the financial secrecy that's bleeding continents dry. In so many ways it's a continuation of colonial extraction. Liz Nelson of the Tax Justice Network:"

Liz: "What's important about what tax justice can do is about explaining to the wider public, to people in policy development, to governments, stakeholders, what is the impact of tax justice on the right to education, as a result of tax revenue that's lost by government what the scale of it is and who's responsible for this, who is complicit in facilitating tax abuse that denies the right to education and who's the main people, organisations, institutions who create a situation where tax revenue is lost from government, tax that corporations or the super rich could be paying and how they use the financial architecture, including secrecy jurisdictions, or tax havens to evade and avoid tax."

Naomi: "So let's do some number crunching. Worldwide, countries are losing *at least* \$483 billion in tax a year to global tax abuse to the deep pockets of multinational corporations and wealthy individuals. The Tax Justice Network has worked with the GRADE project to link the harms that's doing specifically to children's lives:"

Liz: "What we've done to try and illustrate the impact of tax abuse on fundamental human rights and in this case the right to education is have a look at low income countries and middle income countries, and look at the numbers of children who are not in primary school and could be in primary school if tax wasn't lost to those countries."

Naomi: "So, this research looks at 63 low income and lower middle income countries where 41 million of their children are not in primary school. Each one of those children out of school is a life and family tragedy. It's also a national tragedy. Those 63 lower and lower middle income nations are losing an estimated *\$30 billion a year in tax revenue* because of tax abuse by corporations and the super-rich. Recouping that revenue would mean millions of those children could be sitting in classrooms right now, as I speak. For a long time when it comes to funding education in lower income nations, the attention has tended to focus on aid. But that's a mistake, says David Archer of the Tax and Education Alliance:"

David: "97% of the financing for education comes from domestic sources. Only 3% of global financing comes through aid or loans or any of the different sort of international initiatives that are created. And yet, in every international meeting on education, people spend 97% of their time talking about the 3% about international aid, they don't talk about the domestic financing agenda and how you can really make a breakthrough. There's a desperate shortage of financing, and we are not going to make a breakthrough until we get serious about talking about tax. And we've really been working to shift that framing and recognise that the education community need to become powerful advocates for increasing the size of the pie, looking at tax policy and at increasing revenues through taxes."

Naomi: "In September 2022, there's been an unprecedented gathering of heads of state to discuss this global crisis in education at the UN. David Archer was there:"

David: "This was going to be the first time ever that presidents and prime ministers gathered to talk about the financing of education. Whenever you have an international meeting on education, you get the sort of ministers of education, but you don't get heads of state, and so it was an incredibly important opportunity to convene heads of state. So this was getting education financing out of the education bubble, out of the education bubble, and into a sort of wider dialogue. It gave an opportunity to talk about the strategic financing issues and not just look sort of myopically, in a very nano way at education financing that historically has been the case."

Naomi: "Yeah. And we know from our work on tax justice, having worked in sort of so many intersections with so much amazing campaigning work happening all over the world on all kinds of rights and how to tackle inequality, we know that tax isn't always something that they've incorporated fully into their work."

David: "Yeah. At this summit we did succeed in getting a much more strategic framing to the dialogue on education financing. We talked about tax, we talked about debt, we talked about austerity and macroeconomic policies. We talked about public sector wage bill constraints and the impact that has on teachers. And we ended up with a finance call to action, which I think is really a very bold agenda, which reframes how the education community needs to think about and talk about financing and the action that is needed. And the action needed from the international community is not just creating a new pot of money, a new aid, but it is about how do you change and contribute to changes to the global tax rules and the way in which they're set and the way in which they're enforced? Changes to debt, changes to the macroeconomic policy advice from the IMF and particularly changes to how investment in education is understood as something which is genuinely an investment, rather than just as sort of spending on education being treated as consumption. Because education has such a dramatic, longer term effect on all other aspects of development. Investing in education is probably the soundest investment you can make, economically as well as socially."

Naomi: "Absolutely. And, let's talk about the IMF. They were invited. They didn't attend?"

David: "The IMF managing director Krystalina Georgieva was supposed to be on a panel on the financing agenda together with me and some heads of state. Two days before the summit, she withdrew without giving a very good reason. So we actually ended up with, I think it was the Global Student Forum started putting up wanted posters on social media and missing posters, calling her out for that. And I was rather pleased in fact that Christiane Amanpour on CNN the next day challenged Krystalina Georgieva, she said to her directly, 'you were invited to this summit to talk about education for the first time of strategic discussion, and you didn't turn up. Why?' So I, I think the pressure is certainly being felt, uh Krystalina Georgieva said, 'Oh yes, well, I wasn't at the panel, but I am on the job.' And we are now trying to hold her to that and instigate over the coming months and hopefully on a sustained basis, a serious dialogue with the IMF. In this whole history of education summits,

the IMF has never been at the table once, and yet the strategic framing of education of financing is all shaped by the IMF, it's policies around tax. And if the IMF is not bold and ambitious at country level in supporting countries to expand tax revenues in a progressive way, then how do you finance expansion of education? At the moment, the IMF solution every time is cut spending, rather than increase revenues. And that's the fundamental choice that people have to make. And every time, at country level in practice, it's cut spending. And the flagship policy of the IMF in its, in its sort of austerity policies, is constrain or cut the public sector wage bill. And that is particularly devastating for education because the largest single group on the public sector wage bill are teachers, and the largest, like 75 to 90% of spending on education, is on teachers. So if you are being told to constrain your overall spending on the public sector wage bill, it's impossible to achieve without freezing or cutting spending on teachers. And if you freeze or cut spending on teachers, then you are, that's, that's the biggest cost and the most important part of the education budget. So you can't make progress on education if you don't change that mindset, move away from public sector wage bill constraint and actively, in fact actively encourage countries to spend more on the public sector wage bill because it's part of a transformation towards development. So the IMF has to come to the table. I think we will force them to the table. I think we, we are very close to getting them to come to the table seriously. Um, and, uh, and that will make a massive breakthrough. Cause it is also their policy advice on tax, you know, the fact that their routine default is just to support, you know, increases in value added tax rather than more progressive forms of tax. You know, we want to see progressive spending on education, which is a redistributive in itself, and it should be financed in a progressive and redistributive way as well.”

Naomi: “Yeah, I mean the IMF as you say, it's consistently made austerity a condition of financing packages to nations which haven't got many places to turn, has caused real desperate human suffering. I mean, what you're talking about is the absolute opposite of what they seem to stand for. So, you say you can bring them to the table that's encouraging and positive in some ways, but what can be achieved *in spite of* the IMF?”

David: “Well, in the end it's a battle country by country, in the end is about influencing national governance and ministries of finance to recognise that there are alternatives to the policy advice of the IMF. And popularising the idea that you don't have to follow that IMF advice. See, the, the biggest power of the IMF is its sort of coercive policy steer through its surveillance reports, which happen sort of every six months, pretty much. It's not always the loan conditions, so, you know, a smaller number of countries actually take loans and therefore have difficult conditions imposed. But the steer, the economic steer, the mindset, the shared ideology I think between the international monetary fund and most ministries of finance is the root cause of the problem. Now, we can't hold the IMF to account ultimately 'cos there is no effective mechanism for doing so. They're not a democratically accountable institution. National governments *are* in most cases. And so we can put pressure on ministries of finance to look at alternative economic policies, think about different trajectories and have the confidence to stand up to the IMF. But to achieve that, you need really broad alliances in national civil society holding the government to account. And that's where we need the people who are working in the tax of fiscal justice agendas to come

together with the people working on education, on health, on other public services. Unless you've got a broad enough coalition that is working coherently and consistently to demand alternative policies, it's actually very difficult to achieve. So that, that is where I think the change will happen. We can in the meantime expose some of the contradictions in the IMF because the IMF produce some nice policy documents and research documents globally, and then they ignore all of those when it comes to the country advice that is being enforced. So exposing that contradiction, I think is important. Um, uh, but let's not hold out for the, too much hope for the IMF to suddenly convert into a progressive institution!"

Naomi: (laughs) Yeah. Yeah. I mean, it's true that with such an enormous institution, it seems, very often seems like the left hand doesn't know what the right hand's doing, there's so much different thinking within that institution, but, you know, ultimately it's not translating into the active policies that we would like to see. But there's some routes forward. So tell me, what commitments have been made, if any, as a result of this summit and the conversations around it, and what happens next?"

David: "So we have a finance call to action that came out of the summit, which reaffirms the existing commitments that countries ought to be spending 20% of their national budgets on education or 4 to 6% of GDP, but makes really bold new commitments as well about taking action on tax, both nationally to raise tax revenues and progressive ways to finance education and other services, but also international action, for example, for a UN tax convention. And it was wonderful that the Secretary General of the United Nations really lent his support to a UN tax convention, which had been called for by the Africa Union Ministers of Finance. But it's a really, I think, important moment. So you need national action and international action on tax. You need the same really on debt, you know, there's so many countries who are spending more on debt servicing than they are on financing education or health. That is madness. There needs to be a major new multilateral debt initiative, and there need to be new debt workout mechanisms. The call to action made that very, very clear, as it also directly challenges the IMF to move away from the austerity policies that are squeezing spending on education."

Naomi: "Yes, always too much talk about *costs* of financing education when it is actually *investing* in education, and in children. Let's talk for a minute about some new developments this month around the campaign the Tax Justice Network has been pushing for many years, a UN tax convention. That would help wrest control of the power to decide global tax rules to the UN, moving it away from the wealthiest nations at the OECD who are often the world's worst offenders for sucking tax revenue from lower income countries. A UN convention would be consistent with UN human rights principles and should offer a fairer place at the table for less economically powerful nations. There've been two major developments on that recently which give cause for hope. Here's Alex Cobham of the Tax Justice Network:"

Alex: the context for these two things happening is that we've seen political leaders move. So back in May, we had the economic commission for Africa, the declaration of their finance ministers, and that's more than a quarter of the member countries of the United Nations calling for the UN to begin negotiations on the convention. And then at our event with the

Global Alliance for Tax Justice, at the start of September, the new Colombian finance minister also backed that call. So the two things that have happened since is really in a sense, the UN system starting to reflect these political demands.

First, we had a major report from the UN Secretary General Antonio Guterres, and he laid out exactly the case for a UN convention showing in some detail how the OECD and all of the related institutions are really not very close to being globally inclusive, how they keep out a great many particularly lower income countries, in addition to not being highly effective, even for their own members. So that's the Secretary General pledging to support negotiations if the General Assembly decides to go ahead.

And now we've had the other shoe dropping, which is that we have a draft resolution presented at the, the General Assembly Second Committee, which is the, the Economic and Financial Committee. And that's a resolution that simply calls for the beginning of negotiations and for the UN system to support those. That's an interesting development in a couple of ways. You know, we, we have this ping pong thing at the General Assembly every so often where perhaps the G77 group of countries will bring forward a proposal of this sort, for an intergovernmental tax body. And then OECD member countries like the United States often, uh, Lichtenstein is kind of a key player for some reason, and the EU as a block and the UK will tend to block those proposals before they go anywhere. But these are when they're effectively one paragraph in a bigger resolution, and that's quite easy to get deleted. In this case, we have an entire resolution who's only purpose is to begin negotiations, so you can't really tweak it and get rid of the bit you don't like. You're going to have to block the whole thing if that's what the OECD countries choose to do. And that's going to become increasingly public. So we'll have negotiations over the next month or so about the actual text. If there is some agreement at that stage, and particularly if the G77 force the question, then it will go to a full session of the General Assembly at the beginning of December for a vote.

So the G77 is more or less the group of lower income countries, in most cases, actually former colonies of the, the high income countries, which is of course, how the high income countries became high income and how everyone else became lower income! But there are 134 UN uh, member states who are members of the G77 and 190 something members in total. So the G77 always have the numbers if they decide to do something together. Now, in this case, the G77 hasn't put forward this resolution. We've heard that Singapore may have, um, prevented unanimity, but it's always a bit difficult to know what's going on behind closed doors. However, your expectation is that because they've repeatedly supported these measures in the past, almost all of the G77 would support this. And so that just brings you back to the OECD.

Now, the G77 know that they've got the numbers, but they want the OECD countries to come with them and, you know, negotiate in good faith. And the question is really, will they, will we see Germany, Spain, will we see less likely perhaps the UK, maybe the US - will they support this? Will they block it? Will they stand back and let it go through without supporting? We're gonna find out all of that in the next couple of months. And for the first

time, really those major high income countries are going to have to pin their colours to the mast. They can't block this in private anymore. So we're going to see if they're willing to, to block it publicly, or even to get behind it.

Will those high income countries continue to try to block this en masse and sort of insist on trying to keep making the decisions in their own club at the OECD, even though that's been shown to be pretty ineffective for them, never mind for anybody else. Or are we at the point where, you know, after 10 years of the OECD's corporate tax reforms really not delivering anything concrete even OECD members are willing to try something that's a bit more transparent, a bit more democratic, and a lot more inclusive, and might actually end up being effective for everyone.”

Naomi: “David Archer of the Tax Education Alliance:”

David: “We are very energised. We need a very powerful movement to be able to hold governors to account. And so there's a lot of work about how do we strengthen the global movement on education, bring together the teacher unions and student union movements and youth activists with national education coalitions that exist already in over a hundred countries, national education coalitions holding their own government to account. But that movement then needs to link with the wider movement, defending public services as a whole and the financing of public services.”

Naomi: “You’ve been listening to the Taxcast from the Tax Justice Network. Thanks for listening. We’ll be back with you next month.”