

BALANCING THE BUDGET WITHOUT TAXES

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The government can find the billions needed to balance the budget without imposing any new taxes. All it need do is recover the assets which belong to it.

It is no secret that billions of pounds were stolen during the privatization programme through insider trading or otherwise. It is no secret that many firms have won big contracts through bribery and corruption - we no longer need to use the weasel word 'sleaze'. It is no secret that many firms are in tax fraud on a gigantic scale. It is openly admitted that most of the richest one per cent of the population do not pay taxes.

If even a proportion of this money could be recovered, the government could carry out its reconstruction programme without new taxes.

The track record of the Serious Fraud Squad and the Inland Revenue does not suggest that they could carry out an asset recovery programme with their existing staff.

However changes in the structure of industry over the last 18 years have created a new class of people who could recover this money very cheaply. Today, half the people in the country who are over fifty are de facto unemployed - even if they call themselves consultants. Most of them spent twenty or thirty years working in business before being made

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redundant or being made to take early retirement. Many of them worked for years in middle management or even top management. They are at the peak of their powers and are desperate for a job that will use their skills and experience.

They know how businesses work, they know how records are kept, and they know how this information is kept away from tax inspectors. This means that they will be more effective at finding the evidence than policemen or tax inspectors. If they are put to work on the firms where they have worked in the past, they will be even more effective. They know where the bodies are buried. They saw what was going on. Some of them prepared the cheques, made the transfers to Swiss banks or filled the brown envelopes. They prepared the records and vouchers to cover the expenditure.

The evidence that they produce will be uncontestable. There will be no long Serious Fraud prosecutions.

At one time these employees might have held their tongues out of loyalty to their firms and their managers. However, these people have seen their careers cut short so that fat cat managers can get higher bonuses. They have been thrown on the scrap heap at the height of their powers. They have no realistic chance of another job. They may well want revenge.

How can government tap this resource? To produce the maximum impact as quickly as possible, they should employ these ex-managers and ex-accountants on short-term contracts, paying them a generous percentage of the money recovered.

Often the threat would be enough. How many companies would produce a few millions in back taxes the moment that they heard that their former chief accountant had taken a job as a tax inspector? Those that tried to bluff it out would run the risk of paying three times the tax owed, and the further risk of prosecutions.

When there is bribery and corruption, Government gets several bites at the cherry. The person receiving the bribe is charged with tax evasion. The company who charged the bribe as a legitimate business expense is also charged with tax evasion. There can also be prosecutions for false accounting, corruption, failing to disclose a donation to a political party, etc.

Given the enormous costs to Government and the company of a series of prosecutions, we can expect a series of American-style trade offs, where companies pay large sums to avoid prosecution.

A side benefit of this is that, in future, companies will concentrate on their legitimate task of creating wealth, rather than on illegitimately diverting existing wealth from one set of people to another. Experience from other countries suggests that this will result in an increase in economic growth.

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