

The 1% hide their money offshore – then use it to corrupt our democracy



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From US billionaires to City barons, the super-rich are buying political influence as never before. Our politicians now work for them, not for us

- [The questions David Cameron still faces over his tax affairs](#)
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Over the past 72 hours, you have seen our political establishment operating at a level of panic rarely equalled in postwar history. Britain's prime minister has had yanked out of him [some of his most intimate financial details](#). Complete strangers now know how much he's inherited so far from his mum and dad, and the offshore investments from which he's profited. Yesterday he even took the unprecedented step of revealing the taxes he'd paid over the past six years. Leaders of other parties have responded by summarily publishing their own HMRC returns. In contemporary Britain, where one's extramarital affairs are more readily discussed in public than one's tax affairs, this is jaw-dropping stuff.

The questions David Cameron still faces over his tax affairs

Downing St has repeatedly attempted to calm crisis over offshore investments, but questions remain unanswered

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And it will not stop here. Whatever the lazy shorthand being used by some commentators, [David Cameron](#) has not released his tax returns, but merely a summary certified by an accountants' firm. That

halfway house will hardly be enough. If Jeremy Corbyn, other senior politicians and the press keep up this level of attack, then within days more details of the prime minister's finances will emerge. Nor will the flacks of Downing Street be able to maintain their lockdown on disclosing how many cabinet members have offshore interests: the ministers themselves will break ranks. Indeed, a few are already beginning to do so.

But the risk is that all this will descend into a morass of semi-titillating detail: a string of revelations about who gave what to whom, and whether he or she then declared it to the Revenue. The story will become about "handling" and "narrative" and individual culpability. That will be entertaining for those who like to point fingers, perplexing for those too busy to engage in the detail – and miss the wider truth revealed by the leak which forced all this into public discussion.

Because at root, the [Panama Papers](#) are not about tax. They're not even about money. What the Panama Papers really depict is the corruption of our democracy.

Following on from [LuxLeaks](#), the Panama Papers confirm that the super-rich have effectively exited the economic system the rest of us have to live in. Thirty years of runaway incomes for those at the top, and the full armoury of expensive financial sophistication, mean they no longer play by the same rules the rest of us have to follow. Tax havens are simply one reflection of that reality. Discussion of offshore centres can get bogged down in technicalities, but the best definition I've found comes from expert [Nicholas Shaxson](#) who sums them up as: "You take your money elsewhere, to another country, in order to escape the rules and laws of the society in which you operate." In so doing, you rob your own society of cash for hospitals, schools, roads...

Those who exited our societies are now also exercising their voice to set the rules by which the rest of us live

But those who exited our societies are now also exercising their voice to set the rules by which the rest of us live. The 1% are buying political influence as never before. Think of the billionaire [Koch brothers](#), whose fortunes will shape this year's US presidential elections. In Britain, remember the hedge fund and private equity barons, who in 2010 contributed [half of all the Conservative party's election funds](#) – and so effectively bought the Tories their first taste of government in 18 years.

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[David Cameron accepts blame over mishandling of Panama Papers questions](#)

To flesh out the corrosion of democracy that is happening, you need to go to a Berlin-born economist called [Albert Hirschman](#), a giant in modern economic thinking. Hirschman died in 2012 at the age of 97, but it's his concepts that really set in context what's so disturbing about the Panama Papers.

Hirschman argued that citizens could protest against a system in one of two ways: voice or exit. Fed up with your local school? Then you can exercise your voice and take it up with the headteacher. Alternatively, you can exit and take your child to a private school.

In Britain and in America, the super-rich have broken Hirschman's law – they are at one and the same time exercising economic exit and political voice. They can have their tax-free cake and eat it.

What the past few days have confirmed is that David Cameron is effectively in the Downing Street branch of the super-rich. That he himself is part of the 1% is beyond dispute. [His father was a senior stockbroker](#) who was worth an estimated £10m. Newspapers so often bandy about the million unit that readers can get inured to its true significance. But if at the stroke of midnight on New Year's Day you were lucky enough to get one pound coin every single second, it would still take 114 days to amass £10m. You would even now be waiting till Sunday week to collect the whole amount.

What have the super-rich got for their investment in British politics since 2010? Cuts in personal taxes, invitations from George Osborne to advise on overhauling corporation taxes, the security of knowing that their tax havens will be treated with due leniency.

In my politics lessons, we were taught that Britain was a representative democracy. But what 30 years of plutocracy have brought is an era of un-representative democracy. With a few exceptions, our politicians no longer resemble, nor do they work for us. Amid a crisis in the rental market, you have a housing minister, [Brandon Lewis, who runs a private rental portfolio](#). You have a former investment banker, [Sajid Javid, now claiming to do his best by the steel industry](#). And you have a super-rich prime minister who vows he'll take on tax havens, all the while [blocking any serious attempt to do so](#).

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