

[With Jesse Norman as a Tory MP why bother having a Labour Party?](#) [1]

Written by [Tim Worstall](#) [2] | Friday 19 July 2013

Jesse Norman weighs in on this thorny question of whether and how much companies should [pay in tax](#) [3].

The issue of taxation is never far from the headlines, and doubly so in times of austerity. So it's hardly surprising that the likes of Google, Starbucks and Goldman Sachs have come under fire in recent years for under-payment of tax.

Details, schmetails, but Starbucks doesn't make a profit in the UK, even after you add back in those royalties and interest payments. So no tax is possibly due.

For many of these firms, tax is effectively optional. In avoiding it, they are using their size to advantage themselves over purely domestic competitors ? as anyone who has tried to compete with Amazon can testify.

That's even worse: in 2012 Amazon made a global loss: what tax is anyone talking about that can be due from a loss making company?

So, again, how much tax should these companies pay? Patently, the law cannot answer that question. But neither can economics. For economics sees companies merely as bundles of contracts, which allocate different financial incentives to shareholders, directors, managers and employees.

Facepalm. Coase on The Theory of the Firm. No, the whole point about the existence of companies is that they are not merely bundles of contracts: if that's all they were they wouldn't exist and we'd have bundles of contracts instead.

But a politician being ill informed and unaware of the finer points of economics is hardly new so why am I complaining? Well, really, it's about this part:

First, the law. The Companies Act 2006 requires directors to promote the success of the company, but with regard to six factors: the likely long-term consequences of a decision; the interests of employees; relationships with suppliers and customers; the firm's impact on the community and the environment; its reputation for high standards of business conduct; and the need to act fairly between shareholders. The effect is precisely to prevent managements from automatically pleading a duty simply to maximise shareholder value.

Well yes Jesse: but you're a Tory MP, not a Labour one. You're not there to defend the idiocies of the past Labour Government you're there to try to correct them. This part of the CVompanies Act was deliberately brought in to try and appease the more drippingly social democratic parts of the Labour Party. Rather than now stating that this is the aim and purpose of a company you're supposed to be shouting from the rooftops that they got this wrong. The point and aim of a company is the enrichment of its shareholders, nothing else. You should be agitating to get the law changed to reflect reality, not accepting the fantasies

of your predecessors: otherwise what's a Tory for if not to be a reactionary?

Alternatively, if we're to have Tory MPs being so drippingly wet what's the reason for the existence of the Labour Party any more? Who would need them?

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