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Yes, MPs really are trying to give us lessons in morality [1]

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Executives of Starbucks, Amazon and Google have been hauled in front of the Public Accounts Committee to face questions about their alleged UK tax avoidance practices. Margaret Hodge, Labour MP and the chair of the committee made her feelings clear by telling the executives: ?We are not accusing of you being illegal, we are accusing you of being immoral.? Given the MPs recent track record, I am not at all sure how wise it is for any politician to give lectures about morality. Nevertheless, it does make good political theatre if the recipient of a lecture on morality is a multinational corporation, especially an American one.

I can?t comment what would constitute a just, or a morally acceptable, rate of tax. Thomas Sowell, a respected economist and social theorist also had problems with this same issue: "Since this is an era when many people are concerned about 'fairness' and 'social justice,' what is your 'fair share' of what someone else has worked for?" I don?t know if Sowell was ever able to find a definitive answer to his question.

Similarly, I too will have to leave this problem for our politically elected representatives to ponder about.

However, what I have to take issue with is the accusation levied against Amazon at the Committee hearing that the firm was somehow responsible for putting high street booksellers out of business by ?playing the system.? Starbucks has similarly been accused for being responsible for the demise of independent coffee shops up and down the country. This is absolute poppycock. These firms? global success can?t be explained by the amount of corporate tax they do or don?t pay in the UK. These firms are successful because they produce an offer that is perceived valuable by consumers. Starbucks has a unique ?experience? that consumers prefer over other coffee shops? offer, and Amazon?s strategy of providing unparalleled choice at a lower price resonates with those who ?love a good deal.? It is the consumer whose preferences, combined with the inability by other firms to provide competing value that determine the winners and losers in a competitive marketplace.

Furthermore, the accusation of immoral behaviour leveled against these companies is not only inflammatory, but it also makes a presumption of intentionality. The directors of these firms, as agents of the shareholders, have a fiduciary duty to maximize shareholder wealth on a sustainable basis. The sustainability of wealth-creation is an important concept in this context. Any profit-seeking firm must balance the often-conflicting interests of the various stakeholder groups that, in addition to the shareholders, include employees, suppliers, customers, and the communities that they operate in. It is this balancing act, often captured under the umbrella term, corporate social responsibility that allows the firm to turn a profit on a sustainable basis, thus creating shared value for all key stakeholder groups.

According to yesterday's London Evening Standard, Margaret Hodge has backed a call for direct action to ?punish? these firms after they had failed to convince the Public Accounts Committee about their tax affairs. "I think one should boycott these companies. I do actually think that is the right thing to do," she said after the Committee hearing.

In a free country, Mrs. Hodge has every right to call for a boycott and we all are free, at least for the time being, to choose and decide our patronage. In turn, the firms have to take into account the public sentiment, its impact on revenue generation, and balance these with the interests of other stakeholder groups. However, ultimately the choice has to remain with us, as consumers, to decide whether we value the choice given to us by these firms at a given price, and whether we perceive them as good corporate citizens. It is not for the politicians to make moral judgments on our behalf about companies that have not broken any laws.

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