

Book Review: Called to Account: How Corporate Bad Behaviour and Government Waste Combine to Cost Us Millions by Margaret Hodge

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In Called To Account: How Corporate Bad Behaviour and Government Waste Combine To Cost Us Millions , Margaret Hodge reflects on her years as the chair of the Public Accounts Committee between 2010 and 2015, tasked with scrutinising the use of public money. Covering such topics as the non-payment of corporation tax and the misuse of public funds in pay-offs and bonuses, this book indicates how greater transparency and accountability can be achieved and may go some way to restoring faith in our political representatives, writes Chris Harmer.

Called To Account: How Corporate Bad Behaviour and Government Waste Combine to Cost Us Millions . Margaret Hodge. Little, Brown. 2016.

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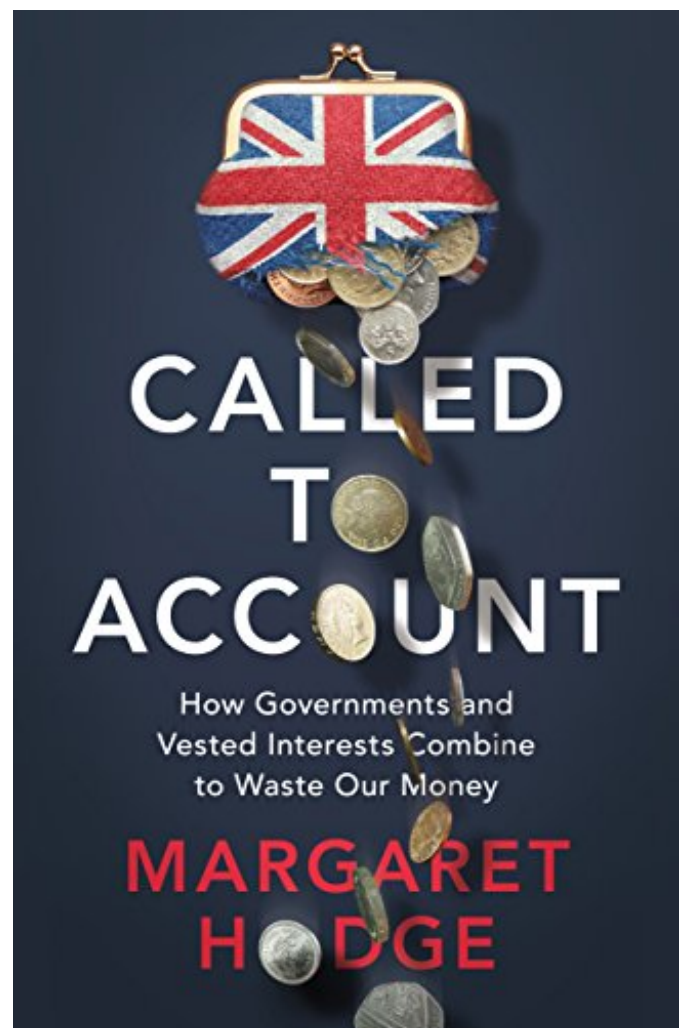
If ‘sunlight be the best of disinfectants’, then Margaret Hodge dispenses it in abundance in *Called To Account: How Corporate Bad Behaviour and Government Waste Combine to Cost Us Millions* – an account of her years as chair of the Public Accounts Committee (PAC) between 2010 and 2015.

The PAC is arguably the most important of the select committees, tasked with scrutinising the use of public money and holding the government to account for this use. The sum for 2016-17 is estimated at a vast £772 billion. Also the oldest of the select committees, the PAC’s work was originally conceived by its founder, William Gladstone, to be of a rather ‘dry and repulsive kind’. But issues of a rather more urgent and compelling nature emerge in Hodge’s narration of how the committee successively took on the vested interests that cost the taxpayer so dear.

Among them: the billions of pounds that go uncollected in taxes; public and private sector initiatives that fail in the delivery of vital services and waste billions; the misuse of public money in rewarding failed figures in pay-offs and bonuses; and colossal mismanagement of public resources. The committee’s *exposés* of tax avoidance perhaps had the greatest impact as, one by one, Amazon, Google and Starbucks appeared before the PAC.

Tax Trickery

At first blush, the tax affairs of private companies might not be considered the domain of a committee principally tasked with holding civil servants to account for the delivery of public services. But the committee broke new ground



in reasoning that the collection of taxes demonstrates the efficacy, or otherwise, of HM Revenue and Customs in collecting corporation taxes.

The question of *how* taxes are collected – not just spent – is deemed eminently in the public interest since non-payment of tax by the rich few places greater burdens on the many who do not opt out of these responsibilities. In a prelude to the [European Commission's ruling](#) last month on Apple, the committee lifted the lid on how US multinationals declare huge 'losses' to the tax authorities, while shunting profits from economic activities in the UK to other low- or non-tax paying jurisdictions to avoid paying billions in corporation tax.



Image Credit: (Chris Tolworthy CC BY 2.0)

The PAC also unpicked the convoluted semantics used by corporate giants to convince HMRC that they are not selling goods *in* the UK – where they would be liable for tax on profit – but rather *into* the UK from low- or non-tax paying jurisdictions. The committee's work on tax avoidance went far in informing the debate that culminated in the landmark decision by the European Commission for Apple to pay back £10.9 billion in taxes – a ruling condemned as '[political crap](#)' by chief executive Tim Cook.

It is not difficult to imagine a range of reciprocal expletives Hodge might reach for in response to Cook's comment. Readers will be left in no doubt that the MP for Barking does not share the view that taxes are an inconvenient commercial cost to business; rather, that 'aggressive' tax avoidance offends fundamental principles of fairness and responsibility.

If infrastructure for the common good is not to fall into chaos and decay, it requires collective responsibility to sustain it. Multinational corporations benefit from the public infrastructure of transport, roads, communications and a healthy and educated workforce, obliging them to pay into the common pot for the common good.

For Hodge the responsibility to pay taxes is not just a legal issue, but also a moral one that has an even greater impact in developing countries, where the need for public investment is higher and the cost paid for its absence yet dearer. She cites the reckoning of the Organisation for Economic Cooperation and Development (OECD) that 'poor countries could eliminate hunger in just one decade with less than a third of the money they lose to tax avoidance by big corporations'.

Political Partisanship vs Cross-Party Collegiality

The fact that the cross-party PAC was able to expose myriad misuses of the public purse owes much to the ability of its members to achieve consensus – both in the committee’s purpose and in its reports – which carries more weight with Parliament and the public. Despite deep political and ideological divisions, PAC MPs achieved consensus if they remained focused on their task: assessing value for money. If members’ zeal got the better of them in their rhetoric, then a reversion to purely evidence-based reporting achieved the desired unanimity.

An exception arose during the PAC’s investigation into the welfare-to-work programme: a five-year project that, in Hodge’s estimation, wasted hundreds of millions and achieved little. This was despite ministerial belief that the private sector would prove more efficient and cheaper in getting people off benefits and into work.

Evidence from whistleblowers, which Hodge believes would have been damning, was never heard in public following an intervention from the Conservative MP, Matthew Hancock, who placed party interest first when a government flagship programme’s credibility was at stake. But overall the work of the committee during Hodge’s tenure was rarely muzzled by party politics – the main obstacles to transparency were to come from other quarters.

Civil Service Reform: Circling the Wagons

Much of the committee’s work lay in securing evidence from senior civil servants on whether taxpayer money is spent efficiently and effectively. Here, the committee encountered frequent stonewalling. This matter was brought to a head when the HMRC’s top lawyer, Anthony Inglese, declined to answer the committee’s questions on the grounds that to do so would breach the confidentiality of taxpayers’ interests. The issues at stake in this instance were whether HMRC deals with all taxpayers equally and whether cosy relationships existed between top officials in HMRC and rich and powerful taxpayers.

Frustrated by opacity, the committee deployed one of its few powers and placed Inglese under oath. (It could have been worse: the PAC apparently retains the historical sanction to incarcerate recalcitrant witnesses in the Clock Tower under Big Ben to reflect on their shortcomings). The gesture infuriated senior civil servants and led to a clash between Hodge over the issue of accountability and the then Cabinet Secretary, Gus O’Donnell, who was strongly opposed to the service being held directly accountable to Parliament.

Much more than a spat between two egos, the issue of accountability within the civil service goes to the very heart of where responsibility lies. *Called to Account* is likely to re-inflate tension on this issue given Hodge’s implacable view that ‘it is the duty of the committee to pursue fearlessly the public and taxpayers’ interest whenever and wherever we deem it necessary’. And O’Donnell’s view that civil servants should retain legal professional privilege and be accountable to Ministers, not Parliament.

Hodge is deeply critical of what she sees as a long-entrenched culture within the civil service – one in which top civil servants look out for each other and promptly dispense with any temerarious outsiders seeking reform. A career structure that defines success as transferring to other positions within the service creates a revolving door system through which accounting officers rapidly move on while systemic faults remain.

Cited more from her sense of exasperation and humour than as an entirely accurate portrayal of today’s civil service, Hodge recalls the observation of Anthony Trollope, made more than 150 years ago:

It was too notorious that the civil service was filled by the family fools of the aristocracy and middle classes, and that any family, who had no fool to send, sent in lieu thereof, some invalid past hope. Thus the service had become a hospital for incurables and idiots.

Holding Government To Account

In contrast to the post-Brexit summer of turmoil and gloom, *Called To Account* casts a ray of light on the best of what a functioning representative parliamentary democracy can achieve through its committee work: transparency and accountability. In an age of disenchantment with politicians and parties, it provides rare insight into how cross-party collegiality can place partisanship aside to represent and serve the public interest. It may also restore some faith in readers about our politicians. And especially in those who share the author's conviction that '[o]ur lives begin to end the day we become silent about things that matter' – when engaged in that most vital element of democracy: holding government to account.

Chris Harmer is a journalist and writer with a background in media and external relations for the BBC, Overseas Development Institute's Humanitarian Policy Group, United Nations Office for the Coordination of Humanitarian Affairs and human rights organisations. She has an extensive record in foreign affairs and communicating academic research to diverse national and international audiences with a strong focus on humanitarian issues and conflict. She was a producer and editor of international news and current affairs programmes for the BBC World Service and has postgraduate degrees in international relations and international law from the LSE and King's College, London. [Read more by Chris Harmer.](#)

Note: This review gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.

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