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Powering ideas through expertise: professionals in global tax battles

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ABSTRACT

This contribution discusses how ideas are powered through expertise and moral authority. Professionals compete with each other to power ideas by linking claims to expertise, how things best work, to moral claims about how things should be. To show how, we draw on a case of battles over global tax policy. Corporate reporting for tax purposes is an area where the European Union, Organization for Economic Co-operation and Development, the United Nations, large global accountancy firms and non-governmental organizations have been active. The point of contention here is what form of financial reporting multinational corporations should provide to ensure they pay their fair share of tax. Ideas powered by expertise contain shared causal beliefs, as well as principled beliefs about value systems. We demonstrate that professionals can

claims to moral authority. Such a constellation is more likely when political conditions are favourable.

KEY WORDS:

Accounting activists expertise ideas NGOs professionals tax policy

INTRODUCTION

Let us begin with a dog-eared yet overlooked quotation from Max Weber on ideas and interests:

> Not ideas, but material and ideal interests directly govern men's conduct. Yet, very frequently the ‘world images’ that have been created by ‘ideas’ have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest. (Weber 1946: 280)

This conception of ideas provides an important reminder for the treatment of ideas and power in the social sciences. Ideas are projections of collective being that do not belong to particular actors but guide interests. It is also important to recognize that ideas and interests are linked to notions of virtue and moral authority. This contribution discusses how ideas and power are linked to expertise and moral authority. Our focus is on how ideas are powered through expertise, noting that the persuasiveness of ideas has little value if not conveyed with moral force. Knowing how things work best is more compelling when fused to a notion of how things should be. We suggest that ideas can be identified in contests over how to treat certain issues and problems. Such battles are important in framing the policy space, delimiting options and channelling interests through particular ideational switchmen.

To show how ideas are powered through expertise and moral authority, we draw on a case of global policy reform. The issue is how multinational corporations (MNCs) account for their financial performance and what taxes they pay. The European Union (EU), Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), large global accountancy firms and non-governmental organizations (NGOs) have been active in challenging and defending forms of corporate financial

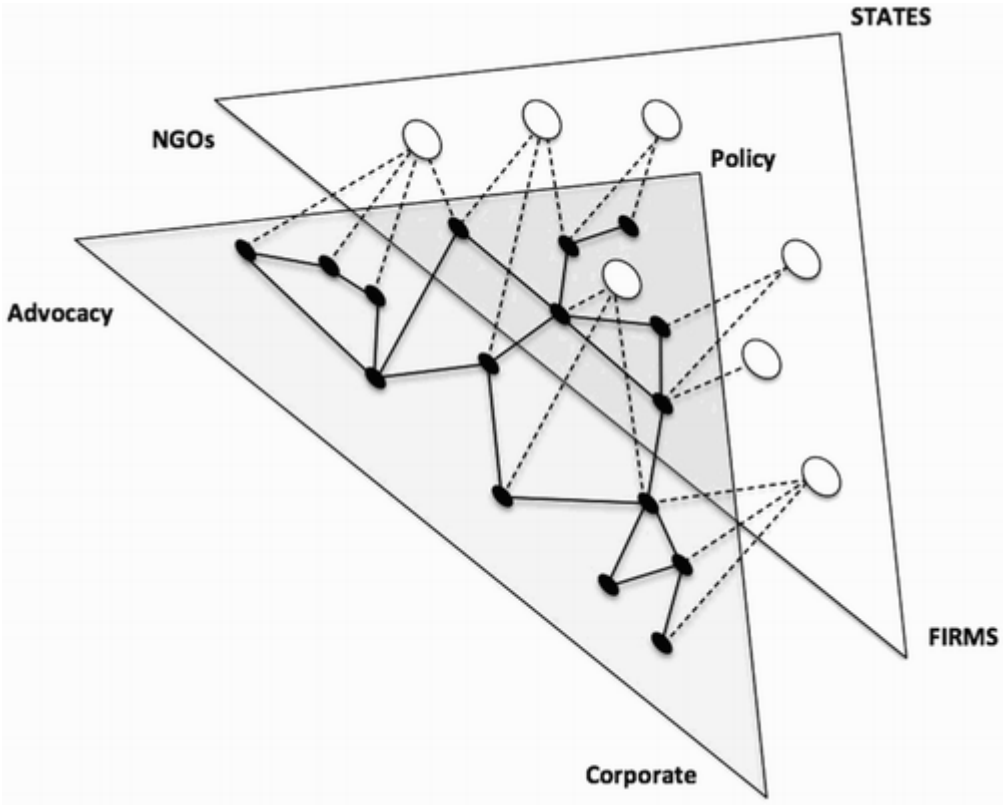
international financial crisis, which highlighted the significance of ‘fiscal leaks’ in many advanced economies. MNCs such as Apple, Amazon and Starbucks have come under scrutiny, as some layers of their intricate tax structures have been peeled away (Seabrooke and Wigan 2014). These practices have heightened perceptions that firm financial performance comes from tax trickery rather than production and sales. Many note a permanent schism between the location of value creation and the geographical allocation of profits (Morgan 2014; Picciotto 2011).

The distributional and market implications of tax-motivated corporate practices have led to calls from the NGO community for a new accounting standard for geographical reporting, called ‘country-by-country reporting' (CBCR). A company's disclosure of tax and financial data in each country of operation would shed light on tax avoidance schemes and the source of many fiscal leaks. By increasing transparency CBCR promises to systematically reduce opportunities for tax-motivated corporate profit shifting. CBCR has been pushed by a group of professionals strongly associated with global tax activism, especially through the Tax Justice Network (TJN) (Seabrooke and Wigan 2013). They have been able draw attention to CBCR from the EU, the G8 and the G20.

Powering ideas through expertise includes both knowledge about the issues at hand and also the capacity to network among regulators, practitioners and activists. Figure 1 captures how professionals can network among themselves and also connect to organizations. Recent scholarship on transnational governance has focused on how organizations representing states, NGOs and firms occupy regulatory space as actors in a ‘governance triangle’ (notably from Abbott and Snidal [2009]). This is the upper surface depicted in Figure 1, with organizational units depicted as white discs. Positions within the governance triangle differ for organizations that represent state, firms and NGO forms, and mixes thereof. This organizational surface can be complemented with a professional surface to locate how professionals interact with organizations (Henriksen and Seabrooke 2015). The black discs depict professionals, with ties between them represented by solid black lines and ties between the two triangular surfaces depicted by dashed lines. Different organizations occupy the regulatory space on the upper surface, including those mixing state, firm and NGO characteristics. We can also see on the lower surface that there are many actors that are more or less connected across the policy, corporate and advocacy worlds. Professionals attempt to occupy the policy space across both surfaces. The best way of defending their territory is by

well from the established literature, where concerns about European institutions squeezing out expertise have been active (Radaelli 1999), especially in policy areas such as finance, taxation and accounting standards (Genschel 2007; Leblond 2011; Posner and Véron 2010). Scholars are actively questioning what kinds of professional interactions are required to foster more creative governance solutions in such areas (Campbell-Verduyn and Porter 2014; Seabrooke and Tsingou 2014).

Figure 1 Professional and organizational networks



Display full size

Our discussion of global tax policy follows the logic of interaction in Figure 1. On the issue of MNCs' financial reporting, the OECD, UN, Big Four accountancy firms and NGOs have been active, but they do not 'own' the debate. As we detail, networks of professional contestation over CBCR has changed policy discussions about corporate financial reporting. As a result, the location of the issue on the governance triangle has shifted from being firmly on the side of states and firms to a more centrist and contested position where NGOs have a say.

The contribution is organized into three main sections. The first discusses the relationship between ideas, expertise and moral authority. The second identifies our

discusses professional competition over financial reporting. The conclusion reflects on whether switchmen are now in place on global tax policy and what this means for European public policy (see also Seabrooke and Wigan 2016).

POWERING IDEAS THROUGH EXPERTISE

Martin Carstensen and Vivien Schmidt (2015) usefully delineate three types of ideational power. The first is power through ideas, which is persuasion with ideational elements. The second is power over ideas, which refers to agenda setting and protection, to the exclusion of alternative ideas from the table. The third is power in ideas. Here, hegemonic conceptions of what ideas are appropriate and thinkable 'govern' action. Our focus is on power through ideas, where professionals attempt to fuse expertise with moral claims. Previous literature on ideas helps us to identify how they do so. For example, John L. Campbell's (1998) distinction between cognitive (causal means–end relationships) and normative (how things should be) ideas links expertise to beliefs, as well as distinguishing how they can operate in the foreground (in debate) or background (broader social change). Campbell notes how these kinds of ideas inform policy programmes, form paradigms, mark public sentiments and create frames (cf. Carstensen 2011). Mark Blyth (2002) hypothesizes that ideas are important for institutional change because: they reduce uncertainty; provide coalition building resources; empower agents to contest existing institutions; can attract resources to build new ones; and are important in co-ordinating agents' expectations. Those putting forward ideas need to legitimate their activity by drawing on causal and principled beliefs. Blyth's and Campbell's keystone work is important because it speaks to what structures exist in constraining ideas and the agents who can create change. From this view experts are important not only for shared causal beliefs, which can be exploited by politicians (Lindvall 2009), but also for putting forward principled beliefs that can empower agents to change the foreground debate (Béland 2009).

To our mind, experts have not been given sufficient attention in the ideational literature, especially in their capacity to act as brokers within political networks (for an exception, see Gutiérrez [2010]). While the focus has been on entrepreneurs of various types, experts differ in that they are not particularly known for their organizing and strategic capacities, but for their knowledge and experience. Often this experience

ideas in a legitimate context (Eyal 2013). Expertise is not simply a claim to superior knowledge about how things work, but also a claim about how things should be, which relies on moral authority. For example, Ole Jacob Sending (2015) documents how professionals involved with peacekeeping rely on 'bearing witness' to ground their claims to expertise, a claim to moral authority.

In the global tax reform case, the professionals pushing CBCR view it as a technical agenda and a normative goal. The idea is drawn directly from career experience in the corporate sector, noting mechanisms for tax avoidance. Such experiences can inform how persuasive ideas are and whether they can get political and public support. For example, it is common to talk of issue salience, which suggests public recognition and political traction. Crises typically augment salience. Robert Henry Cox and Daniel Béland (2013) have recently discussed how we can also talk of 'valence', the emotional quality conveyed in an idea. While the general population may be split on positional issues, such as tax, a crisis can create a window of opportunity for ideas to have both salience and valence. Cox and Béland note that post-financial crisis sustainability policies garnered valence, and skilled entrepreneurs could put that to use. During the financial crisis the notion that MNCs, such as Starbucks or Apple, were not paying their fair share in taxation and using 'offshore' to avoid taxes had high valence that grounds claims to moral authority. Those seeking to persuade others of the importance of CBCR had an opportunity to power their ideas through expertise and experience.

IDEAS FOR GLOBAL TAX JUSTICE

The fiscal and socioeconomic impact of corporate reporting has, over recent years, attracted considerable attention. Such concerns have a rich lineage. By the 1920s and 1930s, jurisdictions such as the Channel Islands, Panama and the Bahamas were used to conceal the personal wealth of rich families and register holding companies (Picciotto 2011: 238). Formal arrangements for the international co-ordination of income taxation were developed by the League of Nations during the inter-war period. Dealing with the problem of the double taxation of income in different jurisdictions led to treaty development. Bilateral treaties circumscribed the allocation of income between the investor country of residence and the source country, where income is generated. An emphasis on maximizing the freedom of each state to set tax rates was crucial to this

(subsidiaries, branches) to be considered separately for tax purposes and allowing the MNC to ‘optimize’ tax exposure (Picciotto 1992: 1–68). The most common means to optimize has been transfer pricing, where goods traded between entities within an MNC are priced according to agreed formulas. The dominant formula is based on the arm's length principle, which requires firms to price a transaction as if between unrelated parties and, where possible, based on comparable market transactions. Given that MNC formation rests on the firm providing integrated efficiencies not available on the market, the problem of arriving at arm's length prices for goods traded within an integrated MNC are acute.

While the international tax governance architecture encourages tax competition between states, it is not a level playing field for all. Most notably, the OECD's Committee on Fiscal Affairs launched it report, ‘Harmful Tax Competition – An Emerging Global Issue’ in 1998 (OECD 1998), which led to a blacklist of offending ‘tax haven’ jurisdictions (Sharman 2006). Similarly, the development of tax information exchange agreements (TIEAs) was based on providing information only on request and in circumstances where the requesting authority had considerable information beforehand (McIntyre 2009). The Bush administration's withdrawal of support for the OECD process in May 2002, on the principle of non-interference in tax jurisdictions, signalled the end of the first round in multilateral approaches to tax governance. Activity for global tax reform shifted from the organizational policy surface to the professional policy surface, as we discuss below.

This changed with the recent financial crisis. On tax evasion, the United States (US) acted unilaterally with the extraterritorial Foreign Account Tax Compliance Act requiring foreign financial intermediaries to report on US accounts to the Inland Revenue Service on pain of exclusion from US capital markets. In 2009, prompted by the G20, the OECD revamped its peer review process and bolstered tax information sharing agreements against a background of ‘fiscal leaks’ and austerity policies. Further reforms were made. The 2011 Directive on Administrative Cooperation in the Field of Taxation, the 2013 update to the Accounting and Transparency Directives, the 2013 revision of the Capital Requirements Directive, and current discussions on an EU Common Consolidated Corporate Tax Base (CCCTB) represent a sea change in EU policy. At the same time the OECD's base erosion and profit shifting initiative promises major reforms to the regulatory architecture circumventing corporate tax strategy. Within this host of initiatives CBCR is ubiquitous.

CBCR directly confronts the separate entity principle and, in its strongest form, eliminates extant opportunities for corporate transfer pricing and profit shifting. A key change here is not only how best to conduct corporate reporting, but what the reporting is for. Conventionally, financial reports target the requirements of the investor. As such, their form facilitates evaluation in terms of future capital market performance. Since tax positions are constructed on past activity, established international accounting standards are inadequate (Murphy and Sikka 2015). Consolidated accounts provide a performance overview that, for MNCs, amalgamates the contributions of multiple entities within a group and across jurisdictions. CBCR requires firms to provide separate reports for each jurisdiction, providing the potential to redress tax base erosion and profit shifting. As one would assume there are many professionals and organizations that have a clear interest in blocking such reforms.

CBCR was first introduced to reduce corruption in the extractives sector and redress symptoms of the resource curse. It was aggressively pursued by the advocacy community, where expertise on corporate financial reporting are thin on the ground. NGOs are well positioned to campaign on issues that have clear moral claims, such as human rights abuses, but less well positioned to deploy technical prowess in areas like accounting (Seabrooke and Wigan 2015).

A number of NGOs have engaged with issues of international taxation. Amidst the rush to promote the issue of tax fairness, one organization has emerged as the clear leader: - the Tax Justice Network (TJN). The Tax Justice Network is a small NGO founded in 2003. Established as a vehicle for research and high-level advocacy work, TJN is now a central player in both the organizational and professional networks around tax justice issues. To do so, TJN relies on a specific set of professional skills mirroring the cross-disciplinary content of international taxation. Those core to the organization possess skills spanning economics, accounting, political economy, law and government (Seabrooke and Wigan 2013). The director, John Christensen, and sole employee until 2007, served for 10 years as chief economic advisor to Jersey and worked as a trust and estate planner for a major United Kingdom (UK) financial institution on the island. He is a trained economist. A second core member, Prem Sikka, is a professor of accounting at a UK university and has previously worked for an oil major in London. James Henry is the author of five monographs, three of which focus on issues of international taxation, capital flight and money laundering. He is a member of the New York Bar, was a chief economist at McKinsey & Company, and business development manager in the

Picciotto, is former commonwealth fellow at the Chicago School of Law and author of key academic texts on international business taxation. Richard Murphy, the fifth core member, is a chartered accountant who trained at what was to become KPMG, has been finance director or chief executive officer (CEO) of multiple entrepreneurial ventures, and senior partner at a major London-based accountancy firm.[1] Murphy, after meeting Christensen at a 2003 meeting organized by Sikka in Jersey, originally published CBCR in the form of a template for an international accounting standard (Murphy 2003).

TJN's combined expertise is crucial for their interventions on the highly complex issue of international taxation. The professionals associated with TJN seek to persuade those in the policy, corporate and advocacy worlds of how CBCR is technically possible, politically desirable and morally just. The proposal for CBCR confronts large MNCs, global professional advisory firms and international organizations pursuing agendas aligned with the status quo in international taxation.

The technical and moral changes CBCR requires would change the current legitimation of the state's relationship to international capital. Professional competition and co-ordination contains not only proposals for best practice on dealing with thorny policy issues, but also interests about the political economy of taxation. Regulators, activists and practitioners are engaged in competition over the role of the state in dealing with corporate tax avoidance. There are three basic positions that can be described as maximalist, minimalist and mediatory. Activists want a redistributive and maximalist state harnessing capital for the provision of public services. CBCR would assist the renewal of the welfare state and address inequality. Practitioners seek a minimalist risk-mitigating state; that commercial sensitivity is protected, uncertainty minimized and that the state's relation to capital is primarily that of a night watchman supporting a market based conception of efficiency. European practitioners involved in corporate tax planning counter claims to CBCR on the grounds that double taxation still imposes significant burdens on MNCs, and that eliminating tax optimization strategies would be disastrous for the region's competitiveness in the world economy.[2] CBCR cannot be justified for Europe to remain strong. Between these maximalist and minimalist extremes are regulators who want a rational mediatory state following legal and intergovernmental norms that provide functional policy coherence and satisfy the political arithmetic of the day.[3]

The implementation of CBCR follows this minimalist and maximalist logic, with policy officials playing the intermediary role (see Lesage and Kaçar 2013). The minimalist logic targets a limited development and anti-corruption agenda. Minimalist CBCR promises that for each country of operation MNCs disclose all transfers to governments. This focus on payments to governments empowers civil society groups to monitor revenues received from MNCs, and to hold governments accountable for these revenues. The minimalist version is in practice targeted solely at the extractives sector. The maximalist agenda is more systemic. It requires data on corporate profit rates that includes information about liabilities, debts due and cash flows. With this known, taxes paid can be evaluated against statutory rates. Maximalist CBCR demands MNCs publicly disclose, in each operational jurisdiction, labour costs, invested capital, payroll, employment, tax payments, and sales and purchases, divided between intra-group transactions and external transactions. Such information would expose transfer pricing arrangements and identify 'fiscal leaks' that the EU, G8 and G20 seek to plug.

The financial crisis has increased both the salience and valence of CBCR, bringing the background features of more/less welfare state and economic competitiveness into the foreground of global tax policy debates in both organizational and professional networks.

PROFESSIONAL COMPETITION ON CORPORATE FINANCIAL REPORTING

The international financial reporting regime is conventionally explained as an extraordinary example of power over ideas in transnational issue management. The regime is almost exclusively controlled by the private standard-setting body, the International Accounting Standards Board (IASB) (Perry and Nölke 2006). This was not always so. In 1975, UN efforts to develop a regulatory framework for MNCs resulted in the formation of the United Nations Centre on Transnational Corporations (UNCTC). The UNCTC established a Group of Experts on International Standards of Accounting and Reporting (GEISAR), whose report in 1977 noted the restriction of annual reports to the interests of shareholders and creditors and proposed a mechanism for geographical segment reporting that incorporates elements of maximalist CBCR (Ylönen 2015). The demand was repeated in a report issued in 1980 (United Nations 1980). These far-

but were not endorsed. Instead, an ad hoc working group on international standards of accounting and reporting was established with a reduced mandate to consult, review and establish 'formulating priorities' for MNCs' accounting and reporting standards (Rahman 1998: 601). Power in standard setting was then passed to the International Accounting Standards Committee (the 'Board', IASB, since 2000), established in 1973 by an agreement among professional accounting bodies from OECD countries.

The IASB closely aligns its organizational tasks with the expertise of its professionals, who are mainly accountants, economists and other capital market actors (Leblond 2011: 449). This combination of professionals permits the IASB to have a 'semi-open approach' in permitting, in particular, expertise and skills that conform to the organizational agenda, while excluding others (Botzem 2012; Campbell-Verduyn and Porter 2014: 420). The IASB is known in the literature for its expert consensus and unaccountability. The IASB develops international rules for accounting in the form of International Financial Reporting Standards (IFRS). IFRS are required in 116 jurisdictions worldwide, including the EU, which transposes IFRS into EU hard law through an institutionalized endorsement process. The EU has a long history of acting as a 'hardening agent' for accounting standards (Newman and Bach 2014), even if they differ in practical national implementation (Thiemann 2013).

The accounting standard addressing geographical disclosures by corporations is IFRS 8 on 'operating segments'. It allows corporations to choose between two methods of defining an operational segment. While the 'line of business' method allows a corporation, like Apple, to report financial information according to product lines, such as tablets, phones and laptops, the 'geographical segment' method deploys geographically disaggregated performance as its ordering principle. The rub here is that geographical segments are not defined at the country level but, for instance, as 'North America' or 'Asia-Pacific'. Even if a company chooses financial information by geographical segment, the IFRS 8 framework does not require a breakdown by country. The formally mandated international accounting standard for geographical disclosures provides information to capital market participants in terms of segment or region, but does not permit an estimate of the impact of arbitrage between distinct national tax systems.

In 2002, UK Prime Minister Tony Blair launched the extractive industries transparency initiative (EITI). Following a concerted campaign by the NGO collective Publish What You

mandating country-level disclosures by MNCs. The PWYP network includes large NGOs such as Oxfam America, Human Rights Watch, Global Witness and the George Soros-funded programme Revenue Watch. It has an obvious resource and organizational base for campaigning. The EITI reflected the 2002 Monterrey Consensus, that harnessing resources within developing countries offered a more certain path to development than international transfers. Governments signing up to the EITI standards publish a report on the revenues received from the extractive industry firms, and firms disclose all payments made to governments. Evaluation is based on the level of congruence between declared company payments and declared government receipts. The EITI does not provide information on intra-firm and external transfers, making it a minimalist form of CBCR.

Since the launch of the EITI, policy debates around CBCR have blossomed into professional competition and co-ordination over the benefits of minimalist and maximalist forms, as well as over the technical practicalities and political desirability of such corporate financial reporting. CBCR has manifested in legislative initiatives in the US and the EU. It is now an active policy debate within the OECD, World Bank, International Monetary Fund and the UN. The 2010 US Dodd Frank Act contained Section 1504, which requires MNCs in the extractives sector to report all payments made to governments in each country in which they operate. In the second half of 2013 the European Council passed into law two pieces of legislation, the Accountancy and Transparency Directives, which requires large non-listed and all EU listed firms within the extractives and logging sectors to generate financial reports on a country-by-country basis. This requirement, in maximalist form, has also been incorporated in the Capital Requirements Directives (2013/36/EU) for European banks, credit institutions and certain investment firms, with support voiced by PriceWaterhouseCoopers (Euractiv 2014). CBCR has been raised as a solution to a range of issues addressed in the OECD's Base Erosion and Profit Shifting report (BEPS; OECD 2013a; 2013b). The key sections of BEPS on transfer pricing, Action 13, provides a model for CBCR (OECD 2014). The Lough Erne G8 Leaders' Communique placed CBCR at the centre of the unfolding policy process:

> We call on the OECD to develop a common template for country by country reporting to tax authorities by major multinational enterprises taking account of concerns regarding non-cooperative jurisdictions. This will improve the flow of information between multinational enterprises and tax authorities in the

> countries in which the multinationals operate to enhance transparency and improve risk assessment. (G8 2013: 6).

As noted, Richard Murphy templated a standard for CBCR in 2003.[4] TJN in 2004 began providing their expertise to PWYP on practical policy solutions. The existing network understood the problem to be a developing country issue and considered the underlying cause to be corruption. These transparency issues were not connected to accounting data and international firm behaviour, and focused instead on a voluntary compliance mechanism. Following campaigning from professionals associated with TJN and other NGOs engaged with tax justice, PWYP adopted CBCR in 2005. Global Witness, a leading NGO in the network, released 'Extracting transparency – the need for an IFRS for the extractive industries' that was penned by Murphy.[5] PWYP reporting demands now included information on commercial performance on top of existing requirements for absolute payments and reserves (Global Witness 2005: 1).

By 2005, with support from professionals associated with TJN, PWYP were campaigning for CBCR to be introduced in IFRS 6 for the extractive sectors, and subsequently pushed for it inclusion in IFRS 8. Although establishing a working subgroup on CBCR, the IASB were resistant and proved reluctant to act on, or enact, the changes PWYP demanded.[6] This position has not changed. The reaction from the IASB has been to reject CBCR outright:

> The IASB has also been asked to consider adding 'country-by-country' reporting requirements to its agenda. Feedback from the 2011 Agenda Consultation strongly and consistently highlighted that this should not be a priority for the IASB. (IASB 2013: 22)

Frustrated with the EU endorsement of IFRS 8, which maintained segment reporting, the PWYP coalition and TJN pushed their agenda at the European Parliament. Sven Giegold, a member of the European Parliament (MEP) in the Greens and European Free Alliance, provided a link between TJN, PWYP and the Parliament. In 2005, Giegold invited Murphy to visit the Parliament and deliver a talk on CBCR. In 2007, these efforts and the broader campaign led to a European Parliament resolution in support of CBCR disclosures within the extractives sector. The IASB made no known orchestrated effort to counter these pressures, relying on its status as the technical authority on corporate reporting stands. This lack of organization, not uncommon in financial lobbying within

Europe (see Young 2014), allowed activist groups to combine technical expertise from TJN with moral claims on the need to address transfer pricing in developing countries.

In October 2010, the European Commission launched a public consultation on imposing CBCR requirements on EU companies. The consultation marked a departure for the Commission, which on financial regulation had a long history making markets more open – yet supporting particular types of financial institutions (Mügge 2011). The CBCR consultation presented reform in two possible directions. The maximalist option would demand that all firms in all sectors provide accounting data on a country-by-country basis. A second minimalist option reflected the narrower agenda of the EITI initiative and would be restricted to the extractives sector. Murphy discussed his idea for CBCR at the Commission several times prior to the launch of the consultation which, with assistance from the Greens, led to the incorporation of maximalist CBCR on the consultation agenda.[7] Notably, the consultation process surrounding the legislation bears witness to TJN's agenda setting role. PWYP explicitly defers to TJN on conceptual authority; ‘For all sectors, including extractives, we concur with the analysis of the rationale for such disclosure as proposed by the Tax Justice Network’ (PWYP 2010). PriceWaterhouseCoopers also acknowledged the foundational role of TJN as the source of CBCR in a 2013 report on regulatory initiatives in taxation, using the TJN template as a benchmark to assess changes in the European, US and global policy landscapes (PWC 2013).

Professionals working with TJN pushed further in arguing for a maximalist CBCR where MNCs would provide comprehensive accounting data to governments. In public consultations, professionals associated with corporate financial reporting argued that a maximalist CBCR would expose commercially sensitive material and impose heavy costs for an unspecified and uncertain return.[8]

The European Commission's impact assessment report concluded that the target was to support the EITI and provide regulatory equivalence in relation to US initiatives on CBCR via the Dodd–Frank reforms. The Commission considered that a maximalist CBCR should have less priority than stamping out government corruption via a minimalist CBCR. As such, the instruments chosen, the amended Accounting Directive and Transparency Directive, require the disclosure of payments and not the disclosure of contextual accounting data. TJN broadened the PWYP agenda and instigated a debate within the network over the apposite data to demand. This met with opposition from

broader tax justice agenda. Within these policy debates the presence of CBCR as an actionable idea is no longer in question. The concern is over the form of CBCR.

TJN inserted an accounting agenda into the network and promoted CBCR as a parameter in both public and policy debates. Both PWYP and the EITI standards now respectively promote and incorporate requirements for contextual data. Maximalist CBCR remains on the legislative table in the EU, with the Commission tabling a proposal in April 2013 to further amend the Accounting Directive (2013/34/EC) so that country-level reporting requirements similar to those of CRD IV are imposed on all large European firms. The recent revival of the long-dormant project of a European Common Consolidated Corporate Tax Base (CCCTB) rests on unfolding comprehensive CBCR across the EU. In May 2015, the competition commissioner, Margrethe Vestager, stated that 'we need at least the automatic exchange of information on tax rulings and a common consolidated corporate tax base'. The Commission has also established a public consultation on whether all MNCs should have to publicly disclose certain tax information, as a barometer to assess shifts in public opinion and the grounds for moral claims (European Commission [EC] 2015). Murphy participated in debates at the OECD on the role of CBCR in ameliorating profit shifting and, in July 2015, gave testimony on corporate secrecy and CBCR at the European Union's Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect and Committee on Economic and Monetary Affairs.[9]

There is a new emphasis on CBCR as technology that can ease the rift between the state and international capital. As a form of corporate financial reporting, CBCR fuses technical expertise with claims to how firms should pay taxes. Prior to the emergence of CBCR, accounting standards served a constituency perceived solely in terms of investors. That has changed, with NGOs providing an active voice on accounting issues, provided they have the right professionals to power their ideas with expertise. Crucially, what was at first promoted as a limited purpose technology, combatting corruption, has been inflated to become an all-purpose technology available for policy-makers. The European commissioner for internal market and services made this clear in promoting maximalist CBCR across the European corporate sphere:

> I welcome today's vote by the European Parliament on the new Accounting and Transparency Directives. Financial reporting obligations have been modernised and costs reduced, in particular for SMEs. With the new rules on

> and governments must disclose revenues from natural resources. This framework will also contribute to the fight against tax fraud and corruption. But we must go further now and take measures on more transparency on tax for all large companies and groups – the taxes they pay, how much and to whom. I think it should be possible to introduce rules for the publication of the information on a country by country basis, similar to those approved for banks in CRD IV, or in the Commission's proposal on improving the transparency of certain large companies on non-financial reporting, adopted in April. (Barnier 2013)

As matters currently stand, CBCR has gone from an idea to a new international standard with the potential to address issues of corporate transparency and tax compliance. The OECD has adopted a version of CBCR closely resembling Murphy's original maximalist proposal and invited Picciotto, a key member of TJN, to share his ideas for a unitary taxation system.[10] Unitary taxation would require MNCs to provide combined worldwide reports, to which an agreed formula for the apportionment of the tax base to fiscal authorities on a country-by-country would be applied. CBCR is a necessary component of this revolutionary proposal, since unitary taxation requires firms to provide global accounts with maximalist data from country-by-country-reports feeding into a formula for apportioning profits according to a series of real economy criteria.

CONCLUSION: SWITCHMEN IN GLOBAL TAX BATTLES

The case we presented above maps how ideas are powered through expertise. The main battle here is between professionals from the advocacy world who seek to persuade regulators and practitioners that corporate financial reporting should be fairer. On the face of it, this is a fight between Tax Justice Network and International Accounting Standards Board. The former is a tiny NGO, the latter is the policy guardian over reporting standards that represents a long-term alliance between corporations and advanced capitalist states. As Figure 1 suggests, a more complex picture is that persuasion happens through networks as professionals seek to convince others in the activist, corporate and policy worlds of the need for reform. They use these networks to lobby organizations, who have their own networks, and to change frames and then

David vs Goliath struggles in international financial regulation are always assumed to be won in favour of the mighty. Conventional explanations tell us that the mighty are powerful in international financial governance because only they have the expertise and they are the first to set the standards (Lall 2014). However, we also know that often established financial groups are not well organized (Young 2014), and that coherent policy communities can fracture (Tsingou 2015). We also know that in the post-crisis period there has been a search for new ideas, even when there is not a clear policy consensus (Baker 2013). We suggest that when such opportunities arise, professionals who can power ideas through expertise and claims to moral authority can make significant advances in their David vs Goliath struggles. These professionals link claims to technical know-how, how things work best, to moral claims about how things should be.

In the CBCR case, the professionals associated with TJN were able to place this corporate financial reporting technology into policy debates with success. Whether or not CBCR is an actionable idea is no longer a point of contention in professional battles. Rather, the form of CBCR, be it minimalist or maximalist, is the concern. As an idea, CBCR has become a switchmen pushing along the dynamics of interest. While TJN may be seen superficially as a garden variety NGO, it is a loose organizational form through which particular professionals with specific skills co-ordinate to push forward an activist agenda on global tax policy (Seabrooke and Wigan 2013). In our case, this capacity rests to a large extent on professional expertise. The professionals associated with TJN were able to engage a broader NGO network, notably PWYP, and substantially push forward their idea on financial reporting to others on how this issue should be treated. They grafted their agenda into the political sphere by circumventing the traditional transnational authority, the IASB, and by instilling CBCR as an alternative and preferred form of corporate financial reporting. TJN were able to draw upon a skill set scarce among the wider NGO community and commensurate with the skills of those traditionally tasked with crafting accountancy standards. In doing so, CBCR is now part of our regulatory landscape within Europe and globally. As CBCR has both issue salience and valence, those propagating it can make linked technical and moral claims about its necessity and superiority.

Importantly, this is not an isolated case. The European Union wants such voices. The European Parliament's creation of Finance Watch in 2010 as an independent NGO to provide oversight to the European financial sector comes directly from a desire to fuse

professionals staffing the new body to consult TJN about organizational and campaigning strategies.[12] Given the opportunity, the right professionals can confront established technical authorities and power ideas through expertise, by fusing technical knowledge with moral claims to create change in the international political economy.

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Notes

1 This information was collected by the authors during multiple interviews with those named between 2011 and 2014, primarily in London, but also in Copenhagen, Chesham and Downham Market. This information was confirmed in a case study integrity meeting with the core of TJN and others in London in October 2013. The contribution

draws on 41 interviews with practitioners, policy-makers and activists conducted between 2011 and 2015.

2 Interview with corporate tax lawyer, Brussels, May 2015.

3 Groups may share established interests, but expertise can destabilize such configurations and shift how issues are located in the governance triangle. These positions were identified in multiple interviews with tax activist and corporate tax planners conducted in New York, Copenhagen, Barbados, Madrid, Brussels and London between March 2011 and June 2015.

4 Richard Murphy's primary authorship of the CBCR template has been confirmed by multiple interviews with regulators, practitioners and activists during the interview period noted above.

5 Interview with Richard Murphy, Downham Market, January 2013.

6 Interviews with John Christensen and Richard Murphy, separately, London, March 2013.

7 Interviews with Richard Murphy, Downham Market, January 2013, and Sven Giegold, Brussels, March 2013.

8 Submissions to the consultation are available at: https://circabc.europa.eu/faces/jsp/extension/wai/navigation/container.jsp (accessed 26 November 2015).

9 The hearing can be viewed at: http://www.europarl.europa.eu/news/en/news-room/content/20150624IPR70439/html/TAXEECON-Committees (accessed 26 November 2015).

10 Sol Picciotto now leads the BEPS Monitoring Group and is actively pushing for CBCR and unitary taxation at the OECD.

11 http://www.finance-watch.org/ (accessed 26 November 2015).

12 Interview with John Christensen, Skype, May 2015.

Related Research Data

Regulating Global Corporate Capitalism
Source: Unknown Repository
How activists use benchmarks: Reformist and revolutionary benchmarks for global economic justice
Source: Review of International Studies
The EU and financial regulation: power without purpose?
Source: Journal of European Public Policy
For a Sociology of Expertise: The Social Origins of the Autism Epidemic
Source: American Journal of Sociology
Valence, Policy Ideas, and the Rise of Sustainability
Source: Governance
Distinctions, affiliations, and professional knowledge in financial reform expert groups
Source: Journal of European Public Policy

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