Epiphany Sunday is a big day in the Christian world. Somewhere between a fourth and fifth of the world’s population celebrates an essential of their faith: the revelation of the divinity of Jesus as symbolized in narrative and art by the Three Wise Men—who stand in for all the gentile world—venerating this human infant as the unique incarnation of God. In my dictionary, the definition of epiphany that I want to focus on goes like this: “epiphany—a sudden and important manifestation or realization.”

I can’t let this second Sunday of the New Year go by without acknowledging and sharing with you my big epiphany of 2016. I wish this revelation was good news, but then you all know I’m an incorrigibly serious person. That said, I do believe that knowing the truth can set us free; and hopefully, there will be some light shining forth by the end of these remarks.

The epiphany struck in late August when I read a review article of a book hot off the press entitled The Panama Papers: Breaking the Story of How the Rich and Powerful Hide their Money, co-authored by two investigative reporters of the Munich-based Suddeutsche Zeitung. The book tells essentially two stories; the first is how investigative journalists do their work (and that’s fascinating enough); but the second story is the explosive information published by these reporters and an international consortium of journalists with whom they worked. Their findings first hit the news internationally last April, but it took me some months to catch up and for its implications to sink into my thick skull once I’d read the book and other material for myself.

How the rich and powerful hide their money

Through 2015 to the beginning of last year, an anonymous source working inside a Panamanian-based law firm called Mossack Fonseca leaked over 11.5 million documents from the firm to the German reporters. Mossack Fonseca has long been under investigation for suspected money laundering; it employs over 600 lawyers, accountants and financial specialists, with subsidiary offices in 42 countries. Over the last thirty years, this one firm specialized in setting up more than 300,000 offshore bank accounts, shell companies and trusts for a super-rich international clientele of thousands, including 450 Canadians. And before I go any further, I need to add that this company is only one of a legion of firms located around the globe specializing in this largely hidden economy—an economy dedicated to concealing the identities of the rich, dedicated to concealing the nature, source and amount of their wealth, and above all dedicated to helping their clients avoid or evade paying taxes.

The trove of documents leaked from Mossack Fonseca was so huge that eventually 400 investigative journalists from over 80 countries, working in 25 languages, representing more than a hundred media outlets, became involved in verifying the accuracy of the information and reliability of sources, contacting those named, analysing the information and its consequences, and then figuring out how to write, coordinate and release their findings publicly for maximum impact. The documents revealed the offshore accounts and the names of those holding them; they included 140 politicians and public officials from Africa to Pakistan, Iceland to Germany, officials in the highest echelons of the Russian, Ukrainian, Saudi, Syrian and...
Chinese governments, as well as international soccer stars and officials, media celebrities, mining company executives, blood-diamond dictators, drug lords, and financiers for Hezbollah and Al Qaeda—I kid you not.

To be sure, not all of the money, stocks, art, property deeds, villas, jewels etc. socked away in myriad offshore tax havens is ill-gotten, or illegally cached away. It is not illegal in many cases to have offshore accounts—just ask corporate Canada and the domestic banks that service them. “The finance industry does at least try to make sure its activities are carried out within the letter of the law, and is partly successful in this.” But the journalists working to produce the Panama Papers “came across [the names of over 3,500] criminals and organizations engaging in offshore activities. The Japanese mafia, the Italian mafia, the Russian mafia, drug cartels, arms smugglers...money laundering rings...as well as corruption cases by the dozen.” (Panama Papers, p. 305.)

We pay the tab for taxes not paid by the rich

Since the findings of those journalists working on the Mossack Fonseca documents went to press last April, some heads of government and public officials have been forced from office, some police investigations have ensued, and intergovernmental hearings into the whole offshore finance racket have been, are, and will be taking place. All well and good.

But here’s the thing: what the Panama Papers have disclosed is not just the wrong-doing of organized crime, venal hypocrites in government betraying the public trust, and a global industry of law firms and banking all too willing to service the most outrageous cases—and they are legion. The heart of the matter is this: since the 1920s, and especially in the past thirty years, by means of offshore bank accounts, shell companies and trusts, the international machinery of offshore finance has effectively created an economic system that has removed the rich and the powerful from the messy business of paying taxes. In the words of the Guardian’s Luke Harding: They don’t pay taxes anymore, and they haven’t paid tax for quite a long time. We pay tax, but they don’t pay tax. The burden of taxation has moved inexorably away from multinational companies and rich people to ordinary people.... Basically, we’re the dupes in this story. Previously, we thought that the offshore world was a shadowy, but minor, part of the economic system. What we learned from the Panama Papers is that it is the economic system.” (Quoted in Alan Rusbridger, “Panama: the Hidden Trillions,” New York Review of Books, October 27, 2016.)

That was the epiphany; the publication of the Panama Papers drew the curtain away—the one concealing a world of secretive tax avoidance and evasion for the world’s super-rich on a global scale.

More than 90 tax havens for the wealthy

Mossack Fonseca and the international web of financial services provided to companies and individuals handle trillions of dollars of wealth in their totality. Conservative estimates by one of the few economists who’s studied tax havens count $8 trillion of offshore wealth (in places like Luxembourg, Switzerland, the Cayman Islands, the British Virgin Islands, and the state of Delaware, to name only a few of the more than ninety jurisdictions that offer tax havens), while research by the Tax Justice Network puts the figure at $21 trillion in financial assets hidden from the world’s tax authorities. Between these two estimates of $8-21 trillion, the lost tax revenue to governments worldwide runs between $200 billion and $1 trillion annually. Tax havens cost US taxpayers as much as $100 billion every year. Canadians hold unrecorded offshore wealth to the tune of $300 billion (US)—that’s 10% of total Canadian wealth—which means that $6 billion of taxable revenue is lost to us and our nation every year.

Meanwhile, taxpayers bail out banks too big to fail, suffer through austerity budgets and cuts to social safety nets, and we’re left dealing with the consequences of inadequately funded healthcare, infrastructure, alternative energy, courts and legal systems, workplace safety, housing and education—because we are told by global elites that “we” cannot afford to pay for them.

Here I agree with Canada’s Mark Carney, the current Governor of the Bank of England, who said in a public lecture last month: “We meet today during the first lost decade since the 1860s.... Citizens in advanced economies are facing heightened uncertain-
Economists must clearly acknowledge the challenges we face including “low [and stagnating] wages, insecure employment, stateless corporations and striking...staggering wealth inequalities.” Voters, he said, deserve a more honest appraisal from economists when it comes to the real impacts of these challenges. “Taxpayers and citizens have paid a heavy price...” (see Mark Carney, “The Spectre of Monetarism,” Roscoe Lecture, Liverpool John Moores University, 5 December 2016, http://www.bankofengland.co.uk/publications/Documents/speeches/2016/speech946.pdf).

Tax havens contribute to wealth inequality

And speaking of staggering wealth inequalities, when we combine the findings of the Panama Papers and those of the mainstream economist Gabriel Zucman in his recent book The Hidden Wealth of Nations: The Scourge of Tax Havens, we’re left with an entirely new perspective on one of the greatest questions of the age: why has income distribution in the more developed economies become increasingly unequal in step with the advance of globalization? It’s not just the revolution in information technology, the decline of manufacturing and the rise of low-paid services industries. We now have compelling evidence that the trillions of offshore wealth beyond the reach of taxing authorities in the past 30 years has wholly subverted what could have been the equalizing effects of taxation.

After reading The Panama Papers, which he calls the most important book of the decade, the political scientist Edward Luttwak says this: “when the less affluent must pay their payroll taxes and income taxes in full, while the more affluent with offshore companies do not pay their own taxes, the total effect of the taxation system,” combined with “sales and value added taxes...is strongly regressive. Once we recognize the sheer magnitude of offshored income flows, and once we take into account the regressive effects of...taxation systems, the phenomenon of rising inequality in affluent societies may not need much more additional explaining...” (Edward N. Luttwak, “Hidden Costs, The Panama Papers—a radically new explanation of rising inequality,” Times Literary Supplement, August 19 & 26, 2016).

Here’s the question the two lead authors of the Panama Papers pose its readers: “Why should the 99% accept that their governments now have no more than a theoretical influence on the super-rich 1% of society? An employee looking at her payslip sees what the state has taken from her and is powerless to do anything about it. But someone who has dividends paid to a shell company in the British Virgin Islands can decide for himself whether or not to declare those earnings in the country in which he lives, whose amenities and protection he enjoys. The feeling that, in the world of finance, ‘the people at the top’ can do whatever they want is more than just a feeling. It’s the reality.”

Neo-feudal concentration of wealth

The Danish sociologist Brooke Harrington, who trained for two years as an asset manager and immersed herself in this world to understand how it works, “warns of a ‘neo-feudal concentration of wealth.’ The members of the international financial elite,” she says, “are effectively constructing their own legal system.... A small group of people are not only hiding their money and avoiding taxes, they are also evading the law.” (See Panama Papers, 304.)

Why am I bringing all this up in a worship service and making it the subject of a sermon on a Sunday morning? As Unitarians, we claim that our lives are informed and guided by a set of values—of ideals and practices that include justice, equity, the search for truth and the use of the democratic process in our congregations and in society at large. What the Panama Papers and other studies on tax havens have disclosed, and what even the Governor of the Bank of England said just last month, is that all of these values are being severely tested and are under grave threat. As one political economist put it two years ago:
Modern democracies are based on a fundamental social contract: everybody has to pay taxes on a fair and transparent basis, so as to finance access to public goods and services. Of course, there is ample room for disagreement about what ‘fair’ and ‘transparent’ taxation means. But if...the wealthiest individuals and...the largest corporations use tax havens and fiscal dissimulation in such a way that they avoid paying taxes almost entirely, then it is our basic social contract that is at stake. If middle-class taxpayers feel that they are paying higher effective tax rates than those at the top of the pyramid, if small and medium-size businesses feel that they are paying more than our largest companies, then there is a serious risk that the very notion of fiscal consent—which is at the core of modern democracies—will fall apart altogether. And if a rising fraction of the population, at the bottom and in the middle of the pyramid, feels that the system is not working for them, and that they are not being well treated by the global economy or by their government[s], then they might reject the very notion of interclass solidarity and of a fair fiscal and financial state. Some might even become tempted by nationalist solutions, ethnic divisions, and the politics of hatred. (Thomas Picketty, in Zucman, The Hidden Wealth of Nations..., vii, viii.)

And as if I even need to say it: those temptations are alive and on the march across Europe and south of our border and elsewhere.

At the beginning of these remarks I said something about light shining forth as we approach the close of my words today. It starts with a hard truth, and facing some concealed facts face-to-face: we pay taxes, they don’t; and the consequences to democracy, justice and equity are, quite frankly, terrifying. And those consequences are hitting us now and will hit our kids, grandkids and future generations especially hard if something isn’t done.

I know it came as a shocking letdown for Dorothy and her crew when Toto pulled that curtain aside and revealed the quite ordinary man hiding behind the curtain manipulating the dials, images and messaging of the great and terrifying Oz. But the deflation of that epiphany was a necessary condition for getting Dorothy back to Kansas, the Tin Man his heart, the Lion his courage and the Scarecrow his brains. And it’s heart, courage and brains we need now.

What we need to do

The good news is that now that we’re coming to understand the enormity of the problem of tax havens and off-shore wealth more clearly, there are steps to be taken to begin to solve it. And here I’m relying on solutions proposed by economists, the Governor of the Bank of England, Mark Carney, and the lead journalists of the Panama Papers.

**Step one:** create an “effective system for the automatic global exchange of information about bank accounts.” However, this “kind of exchange of information is still useless...if an account is held by an anonymous shell company.” Which leads to—

**Step two:** create “a globally transparent register of all companies that would list the real owners of companies and foundations.” The register would simply record the names of the owners, their date of birth, a business address and the number of shares they hold. This information would enable “national tax administrations to fight tax evasion and to levy taxes on capital-income flows and wealth stocks.” Participation would “entail rights and duties,” it would ensure “property rights and financial transactions; but in exchange, it requires a commitment to transmit information necessary to identify the actual owners of all assets.” (See Zucman, x-xii, 75-101, Panama Papers, 305-13.)

If economists, Mark Carney, and the authors of the Panama Papers are right—then that’s it—there are two simple steps with far-reaching consequences that governments can take to end the scourge of untaxed wealth and masters of the universe. At least, it’s a place to start.

Tax havens, off-shore wealth and lost tax revenues thrive on secrecy, inattention and lack of political will. It’s time to say ENOUGH!

And there’s something we can do about it—there re-
ally is. We can write a short letter to the Minister of Finance and our own Member of Parliament, calling on our government to lead in advocating for the international community to take these two steps. [A template letter is provided below]. I have also provided the address of the Minister of Finance. Letters written to MPs in Ottawa don’t even require a postage stamp; it’s free.

In closing, I simply want to say: this is not a political sermon. Writing a letter on ending the scourge of tax havens is not politics, plain and simple.

This is making real our Unitarian values and beliefs in truth, justice, equity and the democratic process, and then putting them into action. May this be the legacy of our Epiphany Sunday and a meaningful way to begin the New Year. Amen.

The Reverend Steven Epperson is the Minister at the Unitarian Church of Vancouver. This sermon was dated January 8, 2017.

Reverend Epperson provided a letter that his congregants could use as an example of what to write to the Minister of Finance. Here is a revised version that can be used by readers of JUSTnews. If you wish to copy your own Member of Parliament but don’t know who that is, type your postal code into the space indicated at: http://www.lop.parl.gc.ca/ParlInfo/Compilations/HouseOfCommons/MemberByPostalCode.aspx?Menu=HOC.

Ed.

[Day, month], 2017

The Honourable Bill Morneau, MP
Minister of Finance
House of Commons
Ottawa, ON, K1A 0A6

Dear Minister Morneau:

I am a member of the [name of your Unitarian Church or Congregation] where we affirm and promote the principles of justice and equity in human relations, a responsible search for meaning and truth, and the use of democracy in our congregations and our country. These principles urge me to write to you today.

I am deeply distressed to learn that through tax havens, $6 billion of taxable revenue (a conservative estimate by Gabriel Zucman) is lost to Canada each year.


Democracy is based on a principle of “fiscal consent”—a fundamental social contract that everyone, including corporations, must pay their fair share of taxes on a transparent basis in order to finance public goods and services.

The authors above, and others, conclude that concrete steps can be taken to remove the threat to democracy and loss of tax revenues that allows elites to legally avoid paying their fair share of taxes while we ordinary folk must do so.

These steps are:

• First, create an effective system for the automatic global exchange of information about bank accounts; and
• Second, establish a globally transparent register of all companies listing the real owners of companies, foundations and trusts.

These actions will help your Ministry and other national tax administrations fight tax evasion and levy taxes on capital-income flows and wealth stocks.

Thank you for considering these actions. I hope that ending tax evasion will figure prominently in future Parliamentary work, and that Canada will take a leadership role in the international community on this issue.

Sincerely, etc

[Your name and address]
How to fix Canada’s tax-haven problem
By Dave Seglins, Rachel Houlihan and Zach Dubinsky

Canada should brace itself for an “invasion” of international tax cheats and shady businesses unless it follows the U.K.’s lead and reforms its corporate secrecy rules, warn business watchdogs and British police.

The U.K. launched a bold experiment last year by creating the world’s first open-data corporate registry system to force the true owners of all U.K.-registered companies out of the shadows and into a public database. But the U.K.’s success could spell trouble for Canada and other countries that don’t require similar transparency. The risk is jurisdictions that enable secrecy will increasingly be used by cheats who hide behind shell companies to mask tax evasion, money laundering and other dodgy business deals.

“If the Canadians are dozy about this, they will have an invasion,” said Richard Smith, a blogger with NakedCapitalism.com. “When we crack down in the U.K., [tax evaders will] simply go to somewhere else that is onshore, legitimate-looking.”

The crackdown in the U.K. could send more tax evaders and money launderers Canada’s way.

A joint investigation by CBC/Radio-Canada and the Toronto Star has found dozens of cases where tax advisers around the world are touting shell companies in Canada as a way to help mask a client’s assets and business dealings. Not a single corporate registry in Canada requires that a company list the names of its real owners, which makes for a system that’s opaque and vulnerable to abuse. All provinces allow the use of “nominee” directors, stand-ins who serve as company’s officers on paper only.

CBC News reported the story of two women, a law clerk from Toronto and a paralegal in Montreal, who served as directors for nearly 200 companies over 25 years, but claimed to know nothing about the businesses or the multimillion-dollar deals bearing their signatures.

1A CBC report.

Exposing the oligarchs
The U.K. created its new, more transparent corporate registry following a string of scandals involving bogus companies in England and Scotland. Vince Cable, who served as secretary of state for business under the David Cameron Government, says Britain was in danger of attracting “bad people with bad money. We’d become a kind of centre for Russian oligarchs. Indeed, [the oligarchs] are acquiring quite substantial companies here,” Cable said. “We did feel that we were at risk had we not had a proper system of declaration.”

Beginning in June, the government insisted registered companies file annual “confirmation statements” listing the names of all corporate directors and individuals who hold more than 25 per cent of shares or voting rights in a company. The registry also requires their dates of birth and nationalities. “Companies now have to declare who owns them,” Cable said. “You can’t hide behind anonymity and you can’t hide behind false names.”

Police, watchdogs hunt for cheats
The new requirements are being phased in and the registry is not yet complete, but by the end of 2016 more than 1.3 million out of approximately 3.5 million companies had filed their updated ownership information. Donald Toon of the National Crime Agency, the U.K.’s top law enforcement body for economic crime, says it used to be extremely easy to create a company structure and conceal the identity of the people who actually own it. He says the new registry “makes life a bit easier for law enforcement and a bit more difficult for criminality.”

And it’s not just police who are using it. Global Witness, an international anti-corruption watchdog group based in the U.K., began scouring the registry last fall. Notwithstanding the bugs and gaps in the data, researchers say they made some interesting preliminary discoveries. Nearly 3,000 companies list their owners as another

Rachel Owens of Global Witness
company based in a reputed tax haven, the group says.

The group also claims 76 owners listed in the registry share the same name and birth date as individuals on U.S. sanctions lists. Rachel Owens of Global Witness, says Canada and other countries should make similar reforms as the U.K. She says the U.K. took the big first step and now it’s time for other countries to follow its lead. “We really feel that there is a global momentum behind this … and now we are looking at other jurisdictions such as Canada, the U.S., to take action as well.”

Canada’s secrecy

Canada has signed on to G8 and G20 resolutions to adopt greater transparency governing corporate ownership, but the government has yet to act. Peter Dent, a forensic accountant in Toronto with Transparency International Canada, wants lawmakers to create a registry—or registries—similar to the U.K.’s. “We’re not asking that every bit of information be laid bare,” he said. “We’re asking for basic business card information to be made public.”

Peter Dent, says it’s time for Canadian lawmakers to act. Finance Minister Bill Morneau has acknowledged Canada’s commitments to its G8 and G20 partners, but says making changes across this country is complicated given each province has different rules and technological systems.

“We’re absolutely in favour of knowing who is registering companies, what their goals are and what taxes they should be paying in our country and that they’re not in any way avoiding taxes somewhere else,” Morneau said in an editorial board meeting with the Toronto Star. “How we get to that answer, in our estimation, includes working together with the provinces to get to a common approach.”

Until then, Canada could become an even bigger target for shady businesses, warns Rachel Owens of Global Witness. “As jurisdictions start to clamp down on this kind of secrecy, the corrupt will be looking for other places, other safe havens, to put their money in.”

Dave Seglins, Rachel Houlihan and Zach Dubinsky are journalists for CBC News. This article was posted on Jan 27, 2017, last Updated: Jan 27, 2017 9:10 AM ET.
STATEMENT OF PURPOSE
The CUSJ purposes are:

- to develop and maintain a vibrant network of Unitarian social action in Canada and elsewhere and to proactively represent Unitarian principles and values in matters of social justice and in particular
- to provide opportunities, including through publication of newsletters, for Unitarians and friends to apply their religious, humanistic and spiritual values to social action aimed at the relief of (1) poverty and economic injustice, (2) discrimination based on religious, racial or other grounds, (3) abuses of human rights whether of individuals or peoples, (4) abuses of democratic process, and
- to promote peace and security, environmental protection, education, and literacy in keeping with the spirit of Unitarian values.

These purposes are an integral part of the Constitution of CUSJ, adopted at the CUSJ Annual Meeting in Mississauga, ON, May 19, 1999, and amended at the 2003 AGM.

I agree with the above Statement of Purpose, and wish to
   [ ] join or [ ] renew membership in CUSJ.

Enclosed please find my donation of $__________

Name________________________________________
Address______________________________________
________________________________________
Tel (     )________________Postal Code____________
Email________________________________________

Add me to the CUSJ ListServ: [ ] yes [ ] no

I would like to receive my JUSTnews Newsletter by:
[ ] post only  [ ] post and e-mail  [ ] e-mail only.

Name of Congregation (if a UU member):

______________________________________________

Date:___________________

Please mail to: CUSJ Membership, c/o Gary Campbell,
122-1601 Prince of Wales Drive, Ottawa, ON, K2C 3P8