The Anatomy of Tragedy: Starbucks as a Politics of Displacement

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The Anatomy of the Starbucks Tragedy: Transfer Pricing and the Politics of Displacement

ABSTRACT

Purpose - This paper examines the 2012-2013 Starbucks tax crisis in the United Kingdom (UK) as an anatomy of tragedy. The tragedy in relation to Starbucks is the displacement of an opportunity to examine the relationship between financial capital and national capitalisms. The paper illustrates how the crisis displaced opportunities for substantive critique concerning financial capital, national capitalisms, multinationals, taxation and society.

Design/methodology/approach - As a critical, discursive intervention, the paper examines how rhetoric was employed in 157 media articles published in six UK newspapers and on two news portals (both in print and online). The paper employs rhetorical redescription to the document archive, presenting the finding and analysis as a play in the style of an Aristotelian tragedy.

Findings – Our analysis identifies misunderstandings of accounting, taxation transfer pricing, and 'resolution' and how the media's construction of Starbucks as immoral, anti-British, potentially illegal operated to confuse the politics. The effect of these misunderstandings and confusion was to take attention away from a politics concerning financial capital valorisation and national capitalisms (jurisdictions raising tax revenue for government spending and social services).

Originality/value - First, we explore the politics of displacement to illustrate the metonymic concealment of the primary political. Second, we draw on Aristotelian tragedy to study and present methods of displacement. Third, we present the empirics in a dramatic format to illustrate how rhetorical interventions by the media and actors displaced the political focus away from financial capital and national capitalisms.

Keywords - Displacement, tragedy, Starbucks, financial capital, transfer pricing, national capitalisms.

Paper type - Research paper

1 Introduction

Tax planning and the funnelling of taxes is one impact of the de-territorialisation of financial capital for national capitalisms. Lazzarato (2013, pp.35-36) argues, 'And its fundamentally political instrument is taxation … [as] taxation installs an authoritarian government that suspends the already weak system'. The logic of financial capital accumulation is "ever more" money, as evident in tax havens and multinationals minimising tax exposure (Lazzarato, 2013). We examine the politics between financial capital valorisation and national capitalism taxation by reflecting on how a multinational (Starbucks) minimised tax exposure in the United Kingdom (UK). While Murphy (2012) suggests Starbucks constitutes a clear example of transfer pricing, we chose Starbucks for several interrelated reasons including its unique position in the British market. Starbucks has a strong physical presence on the UK high street with 764 stores in 2013 (and 1089 in 2021). Starbucks' tax avoidance received significant UK media attention (Fisher, 2014) resulting in substantial pressure through protest actions (which temporarily closed Starbucks' locations) and loss of market share. Ultimately this compelled Starbucks to volunteer £10 million tax to the UK Government for two years.

We recognise that Starbucks is not the biggest tax avoider in the UK (in comparison to Amazon, Google, Apple and others). However, we argue that despite Starbucks variously being named alongside other multinationals (Google and Amazon) with respect to transfer pricing and tax avoidance, Starbucks seemed to capture the public imagination. We suggest this for several reasons, including substitutability, as there are less market substitutions for Google, Amazon and Apple in comparison to Starbucks. The media campaign did result in the UK Government's Public Accounts Committee (the PAC) calling Amazon, Google and Starbucks to testify as to their transfer pricing arrangements. Furthermore, Starbucks was the only multinational (at the time) that chose to respond to the public campaign and determined (through a gift) to pay 'tax' to the UK Government in a way that other multinational companies did not. Moreover, there were protest actions aimed at the physical market presence (including boycotting and shutting stores) which rendered Starbucks a more ready focal point in this tax crisis. All of this we argue helps us to theorise Starbucks with respect to the politics of displacement as our contribution focuses on how Starbucks emerges as a tragic metonym for multinational and tax, which prevents substantive critique of the UK government (as a national capitalism) or on the relationship between national capitalism and financial capital. Thus, we choose to focus on Starbucks within the general contextual critique of multinational taxation (Budarick, 2011). This contribution is timely as advanced capital economies attempt to territorialise the taxable profits of multinationals with new government technologies (such as global minimum corporate tax rates).

We examine how the media presented, understood and displaced the tax crisis across its various phases, focusing on Starbucks as an example of the politics of displacement. In part, this is illustrated through different voices identified in the media depiction of Starbucks and in the disparate positions including Starbucks' competitors, HMRC, the media, the UK public, activists, academics, commentators, the UK Government, other national Governments, UK businesses and multinationals. We draw on the logic of Aristotelian tragedy as a device to illustrate displacement. For Aristotle, 'tragedy' operates to take our attention away from events through ambiguity (to conceal). Thus, we depict our empirics by invoking a creative licence to present our empirics as a 'play' to illustrate displacement. The 'play' mechanism allows us to unpack the tropes the media chose in representing the Starbucks tax crisis. Such was the response to the tax avoidance that there were protest actions and boycotts targeting Starbucks' High Street presence and Starbucks responded by offering to 'gift' £20 million to the UK

Government. Furthermore, the presentation of tragedy illustrates the way that the Starbucks tax crisis operates to metonymically displace an opportunity for systematic critique of taxation and of the relationship between financial capital and national capitalisms.

The paper proceeds as follows: First we outline our theoretical positioning with respect to displacement and introduce Aristotle's tragedy. Second, we outline the context of the Starbucks tax crisis through the concept of transfer pricing. The third section outlines our methodological approach and the fourth section is a discursive analysis that presents Starbucks' tax crisis as a classical tragedy (Aristotle, 1975). This results in three acts in our play that analyses the languages of accounting, transfer pricing and taxation and the construction of four tropes concerning Starbucks. Finally, we identify reflexive lessons from our study as a contribution to studying displacement by drawing on Aristotle's tragedy.

2 Theoretical Positioning and Contributions

The Starbucks tax crisis is indicative of a systemic problem between financial capital and national capitalisms. The financial valorisation processes embedded in transfer pricing constitutes a recipe for capital accumulation. Multinational taxation is one site of this financial valorisation struggle, with each tax minimisation strategy raising different questions. The objective of transfer pricing strategies is to shift *potentially* taxable revenue from high-tax to lower-tax jurisdictions, which can be problematic for national capitalisms and delivering community needs (Millon, 1993).

The growth of multinationals creates challenges for national capitalisms. Growth in taxable income should lead to growth in taxations paid, but as transfer pricing strategies (through increasing expenses) reduce taxable income, any growth impact is recoverable only where these transfer pricing flows are directed (if that country taxes at all). Multinationals require national capitalisms to generate money, but then employ transfer pricing techniques to minimise tax exposure in high-tax jurisdictions. This transfers social wealth to tax havens or low-tax jurisdictions and represents a 'new phase of accumulation' (Lazzarato, 2013, p.39). We focus on the Starbucks tax crisis to illustrate how the politics of displacement obfuscates these tensions between national and financial capitalism.

Displacement is a political logic invoked in Laclau and Mouffe's (2001) discourse theory. Currently, little accounting research employs this term at this level of theoretical abstraction (Evans and Kamla, 2018; Warren *et al.*, 2020), but we see similarities with a critical group of researchers examining logics of the *bad apple*, which has the effect of shifting attention away from bigger, systemic accounting and capitalist failures (O'Connell, 2004; Chabrak and Daidj, 2007; Williams, 2008; Merino *et al.*, 2010). The term displaces because it has the effect of focusing on 'one' exception to the obfuscation of broader systemic issues.

We argue that the media focus on Starbucks resulted in less focus on deeper systemic issues concerning financial capital, transfer pricing, taxation and the role of multinationals within society (Merino *et al.*, 2010; Sikka and Willmott, 2010). Such systematic issues refer to globalisation and the concept of corporate responsibility towards society (Preuss, 2010). For Otusanya, (2011), the dynamics of capitalism (such as intense competition and pressures to increase profits) drive multinationals to engage in tax avoidance practices. As an example of displacement, the media focuses little on these pressures in their depiction of Starbucks' tax activities.

Laclau and Mouffe (2001, p.8) argue that the politics of displacement operates metonymically to conceal the primary identity of the political. Warren *et al*., (2020, p.130) identify the impact of this concealment in their study of IFRS for SMEs:

> Subjects striving to identify the precise meaning of a political intervention focus on what it means rather than whether the overarching regulatory problem is resolved. Therefore, displacement has the effect of taking the subjects away from the principal problem

Laclau and Mouffe (2001, p. 8) link the genesis of displacement to the Aristotelian rhetorical concept of metonymy. Metonymy employs a single characteristic to obscure a more complex entity in the substitution of one word for another. For example, Parliament and "Crown" are metonyms for the monarchy. Metonymy works by contiguity (whereas metaphors work by similarity). In this, we argue that the Starbucks tax crisis operates by contiguity to displace alternative, deeper politics. The effect of displacement is to highlight the relational, partial character of the social and how it is difficult to identify 'the' meaning or identity attached to a concept. This obscurity is evident in the Aristotelian concept of tragedy. Consequently, the Starbucks tax crisis operated metonymically through its focus on a limited number of actors (such as Starbucks) and displaced a critical analysis of financial capital and national capitalisms. We invoke Aristotle in exploring the 'anatomy' of this tragedy.

Tragedy is a particular form of expression from Ancient Greece focused on exploring a serious issue (Else, 1938; Golden, 1975): 'Tragedy is an imitation not of human beings but of action and life' (Aristotle, c. 335 BCE, 50a16). We invoke 'tragedy' not as a moral crusade, but rather as 'tragedy conceived as literature and art' (Lamarque, 1995, p.239). For Aristotle (c. 335 BCE, 50a6):

> A tragedy, then, is the imitation of an action that is serious and also, as having magnitude, complete in itself; in language with pleasurable accessories, each kind brought in separately in the parts of the work; in a dramatic, not in a narrative form; with incidents arousing pity and fear, wherewith to accomplish its catharsis of such emotions.

Golden (1975, p.48) explains:

> This form of imitation represents a noble (spoudaios) hero as its object […] The representation of pity (the feeling we have toward the undeserved misfortune of others) and fear (the same feeling when directed at our own vulnerability to such misfortune) requires that the tragic hero fall from happiness to misery because of some intellectual, not moral, error (hamartia).

We argue that this aptly characterises the Starbucks tax crisis. In presenting our empirical material as a play, Starbucks is a *fallen hero,* not in the classical sense, but we do depict Starbucks as seeing the *error* of its ways through resolution. Thus, the play focuses on Starbucks' catharsis through their failure due to an 'intellectual' error concerning transfer pricing and their consequent attempt at resolution. We note Sikka (2003; 2009; 2013) who argues that there is a systemic problem with tax avoidance, as Big 4-professional service firms and lawyers actively promote transfer pricing systems that reward tax avoidance strategies. For Golden (1975, p. 48), this corresponds our 'tragedy' with two of the potential meanings of catharsis (a contested term in literature):

> […] as a structural process by which the tragic deed of the hero is, in the course of the play, purified of its moral pollution; and as the process of intellectual clarification by which the spectator comes to understand, under a universal heading, the nature of the particular pitiable and fearful events that have been depicted.

The mimesis that we focus on is how the metonymic displacement of Starbucks concealed the primary nature of the political. However, there is a *double entendre* at play as our 'resolution' as catharsis is also a tragedy as the crisis operates to displace the politics between national and financial capitalisms. For the methodological component, we adopt and apply these core theoretical principles from Aristotle's depiction of a tragedy:

a) *The imitation of an action that is serious and has magnitude:* Questioning Starbucks' transfer pricing techniques is both *important* and *serious* (Else, 1938);
b) *Complete in itself:* A tragedy should focus on one central issue to ensure that there is clarity in the message (Gordon, 1975, p.49). Our focus on the Starbucks tax crisis allows us to explore how the media understood transfer pricing and taxation.
c) *Appropriate and pleasurable language:* For Aristotle, the language employed should be audience-appropriate and be easy to listen to with a rhythm to the language (Gordon, 1975, p. 49). We worked hard to present our dialogue in natural, accessible form.
d) *In a dramatic form:* Aristotle suggested that tragedies needed dramatisation and were not simple story telling (Else, 1938). Our role involved a dual process of interpreting what happened (as the chronicle); but our account reconstructs the media's reconstruction of the tax crisis (in mimesis) (Ryan 1993).
e) *With incidents arousing pity and fear:* Each tragedy builds to a crescendo and is followed by resolution (catharsis) (Gordon, 1975, p.50). There are a series of emotions embedded in our depiction of the tax crisis and the campaign compelled Starbucks to act; and .
f) *To accomplish a catharsis of these emotions:* This catharsis takes the form of an act to release tension or emotion (Else, 1938). We examine Starbucks' decision to volunteer £20m as a form of resolution.

Consequently, in our play, Starbucks becomes embroiled in the transfer pricing scandal and the increasing severity of the media's tropes increases pressure on Starbucks. In resolution, Starbucks commits to paying more tax to the UK Government. We position this study as ontological, as its focus is on competing constructions with respect to Starbucks' tax crisis (Hviding, 2003). Therefore, this paper contributes principally to the emerging accounting literature on post-structural political discourse, as a sense-making device. Our contribution centres on displacement by examining the effects of the media's understanding of and intervention into the tax crisis. This contribution seeks to extend displacement through employing the tragedy device (Messner, 2009; Warren *et al,* 2020) and extending Morales *et al.* (2014, p. 442) focus on the role of the media:

> Our analysis also points to the role of the media and political actors in producing naturalizing trajectories of problematization that prevent crises from excessively destabilizing the status quo.

This reinforces our focus on the ontological effects associated with the use of accounting by the media, which enables us to demonstrate how accounting was used in constructing and communicating Starbucks' actions, illustrate the influences of the tropes employed in relation to Starbucks; and identify the displacement (concealment) of the primary identity of the political. We detail our approach to the rhetorical analysis in the methodology section below. Therefore, the next section contextualises the Starbucks tax crisis.

3 The Starbucks Tax Crisis

While there is a history of multinationals and tax in UK media, we do guard against presenting the Starbucks tax crisis out of context, as international media coverage of the campaign around

Starbucks (and Amazon and Google) was limited (Dowling, 2014). Corporation and multinational taxation had a history of campaigns and media analysis. For example, The Guardian focused on (and continues to) raising public awareness of inequities around corporate tax and multinationals (see, e.g., Sikka 2003, 2004, 2009, 2011, 2013; Lawrence *et al*., 2010) and launched specific campaigns, including a focus on tax havens (Griffiths and Lawrence, 2007) and the tax gap (see, 'the tax gap', the Guardian). Murphy, an adviser to the Tax Justice Network, commented on corporate tax practice (Murphy, 2009, 2011; Goodley *et al.*, 2012), and tax avoidance was positioned as a political issue (Bergin, 2012a, 2012b; Bowers, 2015).[1] This combination of the media, public and political interest presented a fertile ground for our focus on the Starbucks tax crisis.

On October 15, 2012, Bergin (2012a) published a special report, entitled 'How Starbucks avoids UK taxes'. This was pivotal and generated significant media, public and political consternation. The report outlined methods employed by Starbucks to avoid UK tax by shifting revenue to lower tax jurisdictions. The detailed 'example' of Starbucks' methods to lower its tax burden was claimed, two days later, to 'undermine public trust in the tax system' (Bergin, 2012b, quoting Margaret Hodge), which resulted in the PAC investigating Starbucks, Google and Amazon in 'respon[se] to a growing public anger over corporate tax avoidance' (Kiss, 2012). However, the media coverage misrepresented this 'avoidance'.

1 The Starbucks Tax Crisis: Tax is Not Paid on Revenue

Fuelling the media analysis of the tax crisis with respect to Starbucks were two *facts*: a) that Starbucks UK allegedly paid £8.6 million in corporation taxes across a 14-year period, 1998-2012; and b) that Starbucks UK reported revenue of £3 billion across the same period (Campbell and Robinson, 2012). Furthermore, between 2009-2012, Starbucks UK made £1.2 billion in UK revenue, reported no profit and paid no corporation tax (Tax Research UK, 2012) (For full details, see Table 1 below). We argue that the micro-analysis of Starbucks' transfer pricing arrangements, however, displaced opportunities for substantive critique around financial capital and national capitalism, as the crisis focused on the vast difference between revenue earned and tax paid and by claims that the parent company of Starbucks UK promoted the UK business as profitable (Booth and Strudwick, 2012):

a) The media focus on the *gulf* between revenue earned and tax paid (see, for example, BBC News, 2012b; Bergin, 2012a) misrepresents the interaction between accounting and taxation, as taxes are paid on taxable income (and not accounting revenue) following the recognition of allowable expenses and deductions (Wilson, 2001) through a self-assessment process. From a financial accounting perspective, Starbucks UK reported losses through employing a set of transfer pricing techniques to shift revenue to low-tax jurisdictions. Kleinbard (2013, p.1520), for example, identifies 15-year reported losses of £239 million until 2011. Table 1 presents core accounting disclosures in Starbucks UK's financial statements in illustration of the difference between turnover and reported losses from 1995-2012.

[INSERT TABLE 1]

[1] Such media-based multinational taxation campaigns have continued post-2013, as well, with significant moments in relation to Apple and Google in Europe, various political campaigns in the USA, Australia, the UK, and Europe, to name a few, and in transnational organisations like the G20 and the OECD.

Given the significant losses reported in financial reports, the PAC questioned why Starbucks UK continued business in the UK. The following is an exchange between then Chairperson of the PAC, Margaret Hodge, and Troy Alstead, then Global CFO for Starbucks:

> **Q202 Chair:** The other thing that is odd to me is that if you have made losses in the UK over 15 years, which is what you are filing, why on earth are you doing business here?
> ***Troy Alstead:*** We know that we must be in the UK to be a successful global company.
> **Chair:** But you are losing money here.
> ***Troy Alstead:*** It is a critical market.
> **…**
> **Q204 Chair:** You have given the UK business 15 years, Mr Alstead. You are still making losses, and yet you are carrying on-if it's true.
> ***Troy Alstead:*** Yes, I assure you that it's true. It is very unfortunate. We are not at all pleased about our financial performance here. Everything we are saying and everything we have said historically is fundamentally true (Oral Questions, PAC, 2012c).

In the final report of the PAC (2012c), the PAC doubts the veracity of Starbucks UK's reported financial position and queried the 'arms-length' nature of the transfer pricing arrangements.[2]

b) There were reports that the US parent company, Starbucks Corporation, disclosed to shareholders that Starbucks UK was *profitable* (despite UK-filed financial statements recording losses) (Bergin, 2012a; Brooks, 201; Booth and Strudwick, 2012). For example, Kleinbard (2013, p.1520) quotes from a Starbucks representative in 2009:

> Canada, the UK, China, and Japan are our largest international markets and drive the majority of the segment's revenue and operating profits. Each of these markets is profitable to Starbucks.

Two separate claims in 2009 and 2012 suggested that the UK business added 'significant' net revenue to the Starbucks group (Kleinbard, 2013, p.1521). This was evidenced by the 31 percent market share and 'solid profitability' as reported to shareholders (PAC, 2012c, item 1, para 8). Booth and Strudwick (2012) alleged, further, that Starbucks Corporation briefed shareholders that the UK business was making 15 percent profits.[3] However, the financial accounting disclosures in the UK were significantly different due to the impact of transfer pricing, as this shifted revenue earned in the UK revenue to lower tax jurisdictions (Kleinbard, 2013).

Consequently, the role of transfer pricing is central to the crisis. The principal tax problem is that jurisdictions have different corporation tax rates, which creates incentives for organisations (and multinationals in particular) to shift revenue earned in one jurisdiction to lower tax

[2] Similar to other jurisdictions, the UK operates a self-assessment process, where organisations self-assess taxation liability subject to regulatory oversight from Her Majesty's Revenue and Customs (HMRC). This constitutes a criticism of the HMRC, their arm's-length principle and self-assessment process. The PAC were sceptical, but the fact remains that under TIOPA 2010, these transactions could have been, and the royalty payment percentage was, in fact, queried and varied by the HMRC, as is discussed in the following sections.

[3] This claim to 15 percent profitability was denied by Starbucks' Global CFO, Troy Alstead during the PAC (PAC 2012c).

jurisdictions. For Sikka and Willmott (2010, p. 342), companies use transfer pricing to allocate 'costs, income, revenues and profits' to increase shareholder wealth, at the expense of social wealth. Shareholder wealth is not the equivalent of social interest or society's interest, as shareholder wealth benefits a few. In taxation terms, transfer pricing moves revenues for the purposes of lowering tax obligations, but in relation to the '[d]arkside of transfer pricing', there is a fine line between the 'legality' of 'avoidance' and 'illegality' of 'evasion' (Sikka and Willmott, 2010, p. 343).

Transfer pricing is complex, involving multiple actors and international agencies. The UK's taxation transfer pricing policy, based on Article 9 of the OECD Model Tax Convention, is contained in Part 4 of the Taxation (International and Other Provisions) Act 2010 (TIOPA 2010), and adopts an *arm's-length principle*.[4] In essence, Part 4 suggests that a 'transfer price' agreed between two related parties should be at the same price that would have been made between two independent parties. The HMRC maintains a right to investigate if it suspects an organisation of manipulating its reported adjustments to decrease taxable profits or increase allowable losses. Under a territorial system, the UK taxes its resident companies on worldwide income generated from organisational activities. Thus, to take advantage of low-tax jurisdictions, multinationals must establish foreign subsidiaries so that income generated by those subsidiaries is not taxed in the parent company's residential jurisdiction (HMRC, 2013; Miller and Oats, 2006). Thus, taxable income reported by Starbucks UK would be taxable in the UK, while income *reported* in low-tax jurisdictions is taxed where income is recognised (Kudrle and Eden, 2003). Taxation rates are a sovereign right: some jurisdictions operate as tax havens and have tax rates below 12.5 percent. Certain European countries have rates significantly higher than 12.5 percent, including the UK – which moved to 20 percent on 1 April 2015 and 19 percent on 1 April 2021. Companies registered in Germany, Belgium, France and Spain pay more than 30 percent.

We outline three transfer pricing arrangements employed by Starbucks UK.

[INSERT FIGURE 1 ABOUT HERE]

a) *Purchasing Coffee Beans in Switzerland*

Coffee Switzerland A.G. and Starbucks Coffee Trading Company purchase green coffee beans for Starbucks. These two Swiss companies purchase and resell coffee beans to Starbucks globally, at a 20 percent mark-up (PAC, 2012a, 2012b). The coffee beans are never delivered to or processed in Switzerland, but the bean purchases are brokered there. Starbucks is subject to 12 percent tax in Switzerland (Kleinbard, 2013, p.1528). While the Swiss operations purchase green beans, a Dutch company, Starbucks Manufacturing EMEA BV, purchases beans from the Swiss operations, roasts and distributes the beans around Europe. Kleinbard (2013) notes that Starbucks UK acknowledged that the roasting activity attracted a mark-up, but there was no public disclosure of this amount. The oral testimony to Question 301-307 in the PAC recognised a 20 percent mark-up but did not explicitly detail whether that would be 20 percent for both roasting and green beans or 20 percent for the entire coffee bean transaction (PAC, 2012b). If there are transfer pricing arrangements for both green and

[4] It should be noted that the UK Government reviewed and updated the TIOPA Act, passing it in 2010, a short two years before the Starbucks tax crisis. In other words, the UK Government affirmed that the arm's length approach to transfer pricing for intra-group transactions was an accepted and acceptable approach to taxation.

roasted beans, then the impact of the coffee bean mark-up is greater than the 20 percent disclosed to the PAC (Kleinbard, 2013).

b) *Royalties for Starbucks' Intellectual Property*

Starbucks UK made royalty payments of six (6) percent of revenues to the Netherlands-based Starbucks Coffee EMAE BV. The royalty payment covered rights to Starbucks' brand, the logo, trademark, 'ethically sourced Arabica coffee', franchising expertise, store operation expertise, store design and Starbucks' business model. The Dutch tax system includes special provisions for IP, resulting in low corporation tax rates for qualifying profits from self-developed intangible asset income. Starbucks UK suggested to the PAC that its intragroup royalty payments were between £20-25 million annually, which accounted for approximately 40 percent of royalty incomes earned by the Dutch company in 2011 (Kleinbard, 2013, p.1522). However, as Starbucks refused to disclose its agreement with the Dutch government to the PAC (PAC, 2012c),[5] Kleinbard (2013, p.1524) suggests that the tax rate 'seem[ed] to be practically indistinguishable from zero'.

In relation to the arm's-length principle in TIOPA 2010, the HMRC investigated Starbucks for this royalty payment. The HMRC reduced the effective transfer price from 6 to 4.7 percent for 2003-2009. This intervention resulted in Starbucks (voluntarily) paying additional tax of £8 million (which increased their UK taxation paid from £0.6 to £8.6 million). Kleinbard (2013, p.1523) argues that:

> […] the fact that Starbucks UK agreed to reduce its tax deduction […] might be viewed as an admission that the 6 percent charge was not justifiable in this particular case.

The media, it seems, missed the HMRC adjustment to royalty payments (Kleinbard, 2013). The HMRC investigated royalty payments from 2009 until 2012 and a similar adjustment was made.

c) *Interest rate payments to Starbucks Corporation*

Starbucks UK states that it 'is funded by, and meets its day to day working capital requirements through a loan from the […] parent company' (2012, p.7). However, the interest rate charged on this loan was above London Interbank Offered Rate (LIBOR). Thus, this constitutes a transfer pricing arrangement by shifting UK revenue to the parent. Bergin (2012a) alleges that the interest rate was LIBOR plus 4 percent, while the parent's annual report disclosed that intercompany interest payments from the UK were £4.3 million in 2010 and £1.8 million in 2011 (Kleinbard, 2013, p. 1529).

In summary, these transfer pricing arrangements enabled Starbucks UK to shift revenue earned in the UK to lower tax jurisdictions (Kleinbard, 2013) and ensured that Starbucks UK paid £8.6 million corporation tax in the UK over 14 years (Bergin, 2012a). Thus, to analyse the media's interventions as a politics of displacement, we elaborate our methodological approach.

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[5] There was significant media attention in late 2014 concerning the legality of the Netherland's-based operation (Rankin, 2014).

4 Methodological Notes

As the rhetorical analysis of the politics of displacement is ontological in nature, we employ a post-structural discourse analysis to the Starbucks tax crisis to explore how Starbucks emerged as a metonym for multinationals and tax. We study events through a document archive drawn from multiple media sources (Budarick, 2011; Jacobs, 1996, 2000). Jacobs (2000) and Budarick (2011) focus on the role of a variety of newspapers in presenting a racial event, despite a broader context concerning race relations. In invoking the concept of 're-presentation', we draw upon the narrative logic of decontextualising and recontextualising both in how the media present the events and in how we depict the events (Czarniawska, 2000). Whilst these events exist in a broader context, that does not prohibit authors from focusing on moments within that context (Howarth *et al.*, 2000). We construct our analysis around rhetorical redescription to deconstruct significant meanings (Howarth and Griggs, 2006; Carter and Warren, 2019). Rhetorical redescription (*paradiastole*) refers to de- or re-valuing the normative significance of concepts to affect 'acceptability' of the Starbucks metonym, as displacement (Howarth and Griggs, 2006, p.11). A 'redescription' changes a concept and includes re-conceptualisation (a revision of meaning), re-naming (a change of the name), re-weighting (a shift in significance) and re-evaluation (an alteration of normative implications). Quintilian (1920) describes the technique as 'assign[ing] different causes, a different state of mind and a different motive for what was done' (Skinner, 2002, p.183). This approach, politically, examines the substitution of a rival evaluative term, 'that […] picture[s] an action no less plausibly, but serves at the same time to place it in a contrasting light' (Howarth and Griggs, 2006, p.11). For us, this technique is apt for understanding Starbucks, as redescriptions (accounting, immorality, anti-British, legality and voluntary payments) enabled the media to assemble increasingly metonymical tropes (Carter and Warren, 2019).

1 Method

Print and electronic media, including printed newspapers, online newspapers and news portals, are an important medium to understand 'current societal problems' (Czarniawska, 2014, p.148). Czarniawska (2014) recognises the importance of the Internet as an empirical source and we draw on the guidelines for such research developed by Eriksson and Kovalainen (2008) which are as follows: addressing the medium or website, the authors of such information, the audience, as well as the purpose, timeframe and accuracy of the information. Our analysis focuses on print and digital news media through news portals for our document analysis (Fulton *et al.*, 2005; May, 1997). As we are interested in the displacement of Starbucks' tax crisis and its presentation through British newspapers and news portals, we do not focus on the comments sections or social media.

For our analysis, we regard authors as 'self-conscious actor[s] addressing an audience under particular circumstances' (May, 1997, p.173). Therefore, our analytical process begins with the understanding of the social context of Starbucks and its transfer pricing strategy. Frezatti *et al.* (2014, p.439) suggest that the analytical task of document analysis involves a reflexive process of 'deconstruction, interpretation, and reconstruction' as it enables researchers to 'consider how meaning is constructed, developed and employed'. In addressing those aspects, the collection and analysis of media material involved the following steps:

1. With direction from the UK National Readership Survey, we chose the six major *quality* and *midmarket* UK newspapers (Rogers, 2012) as well as two online news portals with significant UK presence: BBC News and Reuters. Our choice is reflected in Table 2.

[INSERT TABLE 2 ABOUT HERE]

2. To collect our archive, we employed the following search terms (using both Google and the news source online search functions): 'Starbucks tax avoidance', 'Starbucks tax', 'corporate tax', 'tax avoidance', 'tax evasion', 'Starbucks' transfer pricing' and 'corporate transfer pricing'.

3. A document archive was constructed with 157 articles and reports that included at least one of the keywords. Table 3, below, presents media sources and authors of our archive.

[INSERT TABLE 3 ABOUT HERE]

4. In reading all articles in the archive multiple times, we identified overarching thematics within articles. We approached the analysis as a team to focus on 'why' and 'what' in discussing each individual case (Czarniawska, 2000; Eriksson and Kovalainen, 2008). The analysis identified five thematics: a) the misrepresentation of accounting; b) that Starbucks acted immorally; c) that Starbucks acted in an anti-British manner; d) questioning the legality of Starbucks' actions; and finally, in resolution e) that Starbucks elected to pay the UK government £10 million in both 2013 and 2014. Each thematic we discuss is supported by a significant body of supporting articles (see Table 4; Morales *et al.* 2014).

5. We depict each thematic as part of a classical tragedy and our depictions draw on this experience to narrate the story. Table 4 outlines the quotes that are relevant to each section, presenting our empirical analysis.

[INSERT TABLE 4 ABOUT HERE]

We structure our empirical analysis as a classical tragedy (Aristotle, c. 335 BCE, 50a6) and organise the empirics in three stages (which is reflected in our play figures):[6]

a) *Protasis* introduces the theme (the misrepresentation of accounting and transfer pricing) and the main characters;

b) *Epitasis* develops the main theme through 'redescriptions' (immorality, anti-British and legality) in which the flaws of the central character build towards the climax of the play; and

c) *Catastrophe,* as the final act of the play, represents resolution of the flaw exposed in the earlier thematics (Starbucks, the fallen hero, recognises its error and agrees to pay tax in the future).

We draw on Crotty (1998) and Goffman (1959) to present our empirical work in a dramaturgical manner, as the tax crisis was a lived experience. We believe that the tragedy format illustrates our theoretical points by analysing the politics of displacement, by

[6] We set our scenes in different locations. We note that a classical tragedy traditionally takes place in one place (Aristotle, 1975), but for dramatic effect, we considered this inappropriate, as the Starbucks tax crisis continued over a significant period.

questioning how the media understood the Starbucks crisis and by evaluating how actors responded to the different tropes employed by the media. We dramatise the dialogue around Starbucks for context and then subject the media's presentation to evaluation through rhetorical redescription. The first section, protasis, characterises the media's understanding of Starbucks' transfer pricing arrangements.

5 Findings and Discussion

1 Protasis: Transfer Pricing, Accounting and Creative Journalism

Play figure 1 dramatically depicts the discussion with reference to quotes from the media. by focusing on how accounting and transfer pricing was understood and presented.

[Play figure 1 about here]

All media agencies struggled to understand the Starbucks tax crisis and the implications of transfer pricing arrangements. There is evidence of journalistic licence or fundamental error in three ways: a) the confusion between accounting revenue earned and tax paid (and with financial and taxation accounting); b) increasing sensationalising of the accounting treatments applied; and c) the accounting analysis focusing on what Starbucks did, rather than what the system permitted. These three issues increased the normative outrage towards Starbucks.
Of 157 articles, over 70 percent reinforced the base accusation that Starbucks paid £8.6 million in corporation tax in the UK over 14 years (above). Most sources also sensationalise the problem by referring to revenue earned in the UK by Starbucks: some refer to 14 years of operation and £3 billion revenue earned, while others point to the Tax Research UK (2012) figures that Starbucks earned £1.2 billion in revenue from 2009-2011 without reporting profit and paying no tax. While being the source of significant anger, this media approach remains unhelpful in relation to the question of tax paid as tax accounting and financial accounting are separate reporting systems. In suggesting that tax is paid on accounting revenue, rather than taxable income (after allowable deductions), this acts as a displacement because attention is turned towards a falsity.

There was little focus on Starbucks' reported accounting returns, except for three news reports that focused on how the US parent company considered Starbucks UK profitable (Bergin, 2012a; Brooks, 2013; Booth and Strudwick, 2012). No media agency reported that Starbucks' cumulative financial accounting losses for 14 years were £239 million (Kleinbard, 2013). Effectively, the argument presented was a 'moral crisis': something had to be wrong.

The media treated accounting, generally, and transfer pricing techniques, more specifically, as a source of philosophical mysticism (Morales *et al*., 2014). For example, for Bowers (2013) the transfer pricing techniques (the knowhow) are 'literally impossible to explain' to the public. However, it remains unclear whether the media find it difficult to understand these accounting concepts or if the media chose not to explain it (explanations would render the matter less sensational). As such, the transfer pricing techniques are variously described as 'clever' (Birrell, 2012), 'cynical' (Ebrahimi, 2012), 'aggressive' (McVeigh *et al*., 2012), 'unfair' (Campbell and Robinson, 2012), 'unjust', (Ebrahimi, 2012), 'a tactic' (Groves *et al*., 2012), a 'complex web of strategies' (Ebrahimi, 2012) and 'accounting chicanery' (Griffiths, 2012). For us, these metonyms confuse and mislead.

We focus on two examples to illustrate this confusion. First, Ebrahimi (2012) suggests that the transfer pricing strategies were ‘siphoning profits’ away from Britain. This misrepresents the accounting and tax position as transfer pricing is a technique to shift revenue earned in one jurisdiction to another, as Starbucks did with the coffee, loan and royalty payments. Such transactions aim to reduce taxable income for tax purposes by decreasing accounting profit in the UK through allowable deductions. These permissible and accepted strategies are referred to by Ebrahimi (2012) as cynical and unjust. The problem with this characterisation is that the UK legislation (TIOPA) permits these transfer pricing arrangements and the HMRC has oversight responsibilities and has the right to investigate these transactions.

Second, Griffiths (2012) labels the transfer pricing arrangements as ‘accounting chicanery’, meaning deception, trickery or verbiage. This metonym is misleading. While the transfer pricing may have lowered the UK tax exposure, it was ‘eyes wide open’, and all transfer pricing techniques were overseen by the HMRC subject to the governing *arm's-length principle* for transfer pricing (TIOPA, 2010). The arm’s length principle from TIOPA (and the OECD) was reinforced by the government in 2010 and this reinforces that transfer pricing arrangements were not only accepted, but expected. Therefore, Starbucks’ use of transfer pricing was not deception, but a company employing techniques permissible within the system. Thus, the media’s intervention misrepresented the crisis in three ways: a) incorrectly focusing on revenue (turnover); b) suggesting that transfer pricing shifted profits, and c) constructing the transfer pricing techniques as ‘deceptive’ (and ‘impossible to explain’).

The misunderstanding of the transfer pricing arrangements and TIOPA 2010 is further reinforced by no media agency reporting on the adjustment of Starbucks UK’s royalty transfer payment percentage from 6 to 4.7 percent. No media agency noted that Starbucks only paid £600,000 in tax, except for the HMRC contesting the *arm's-length* payment for the royalty transaction and the subsequent adjustment of £8 million for the six-year period from 2003-2009. This lack of critical inquiry helps to explain how Bergin (2013) can quote Starbucks’ CFO stating that Starbucks ‘strictly follows international accounting rules and pays the appropriate level of tax in all the countries where it operates’. The CFO stating that it followed international accounting is nonsensical in relation to the tax accounting issues as national capitalisms (such as the UK) set the ‘accounting’ rules for taxation (including allowable deductions). The misunderstanding is further illustrated by the repeated use of accounting profit in relation to taxation, not the use of the term taxable income (after allowable expenses and deductions) and little recognition that accounting rules for accounting and taxation are separate systems. We argue that this lack of precision and this misinformation encouraged the construction of increasingly normative accusations against Starbucks, and in our tragedy, this is the epitasis where the ‘hero’ falls.

2 *Epitasis: Starbucks’ Transfer Pricing as Immoral, Anti-British and Questions of Legality*

Play figure 2 dramatically depicts across three scenes the dominant themes in relation to Starbucks in the media

[Insert Play figure 2 here]

a Interrogating the Construction of Immorality (see Table 4)

The accusation of immorality is sensationalising. The paucity of supporting evidence presented by the media for the immorality claim is intriguing, as the payment of £8.6 million tax over 14 years is not in and of itself immoral, despite tropes suggesting as such. Rhetorically, each redescription cumulatively adds to a growing anger with Starbucks, as increasingly emotive language is employed to re-weight the significance of the 'immorality'. Each constitutes a subtle shift in the significance of immorality and alters (re-evaluates) the normative implications of the transfer pricing arrangements. The media's understanding of accounting and taxation is misleading: transfer pricing *must* be immoral for Starbucks to pay £8.6 million in 14 years. Few media sources recognised that transfer pricing was and remains permissible under TIOPA 2010.

We accept that there were potentially two ways to develop a case that Starbucks acted immorally. One approach could focus on Starbucks Corporation (US) claiming that Starbucks UK was profitable even though the UK financial statements reported a loss (Bergin, 2012a; Brooks, 2013, Booth and Strudwick, 2012). However, only three articles (of our 157-article archive) reported this discrepancy. Another approach could focus on how HMRC determined that the self-assessment percentage applied to the royalty transaction by Starbucks was unacceptable and thus, not at arm's length pursuant to TIOPA 2010.[7] However, no media agency identified this adjustment (Kleinbard, 2013).

Thus, the media's claim to immorality, due to the lack of evidence, was, in effect, *alleged* immorality. The media intervention turned attention towards morality, which displaces deeper political tensions. Campbell (2012) depicts "immoral" in scare quotes, as Starbucks' transfer pricing systems 'deprive[s] Britons of millions'. This sensationalises by suggesting that Britons were entitled to these millions. However, in the taxation process, as Starbucks submitted their tax liability self-assessment to the HMRC, the HMRC accepted as permissible the coffee and loan transfer pricing arrangements and 4.7 percent of the royalty payment. Thus, as the HMRC deemed Starbucks' transfer pricing arrangements as acceptable pursuant to TIOPA 2010, this renders it difficult to reconcile Campbell's (2012) claim that Starbucks deprived 'Britain', as HMRC approved the transactions (and the Government envisaged such transfer pricing through TIOPA). In short, Britain was not 'entitled' to more. 'Deprive' is an emotive term which is crucial in the immorality redescription. Birrell (2012) takes it further and seeks redress for this deprivation and replicates the call to boycott companies such as Starbucks, as their behaviour results in these companies not paying their fair share. This transforms the nature of the transfer pricing arrangements into something requiring punishment.

Similarly, Groves *et al.* (2012) draw upon immorality in constructing Starbucks' transfer pricing arrangements as 'tax dodging' and 'insulting'. Again, this operates metonymically in evaluating the immorality of Starbucks, as the article *states* that this is immoral, rather than examining the politics of multinational transfer pricing. The trope of tax dodging invokes illegality, falsely suggesting that the transfer pricing scheme was in breach of the law. While Starbucks suggested they were paying their 'fair share' of taxes (Bergin, 2012a), Groves *et al.* (2012) juxtapose Starbucks (who is not paying a 'fair' share) with all British organisations and individuals (who pay their 'fair' share). Furthermore, this is 'insulting' to British business and individuals (Groves *et al.*, 2012). This re-weights the transfer pricing arrangements as not just wrong, but disrespectful (Barford and Holt, 2013). This illustrates the problem of focusing on

[7] In fact, without this adjustment, Starbucks would only have paid £600,000 of tax across 14 years.

the micro-analysis of the transfer pricing arrangements. The effect, metonymically, is to take attention away from larger problems including the substantive tension between financial and national capitalisms, what incentivises organisations to minimise tax exposure, the effect of differing jurisdictional tax rates and what constitutes an effective contribution by multinationals to society.

Thus, in association with the trope of immorality, a 'nationalistic' trope emerged claiming that Starbucks' transfer pricing was anti-British, which constructed a set of victims including *good, honest* British companies, the Government and British society (Groves *et al.*, 2012). This next section focuses on the construction of the anti-British thematic.

b Interrogating the Construction of the Anti-British Trope (see Table 4)

Both Campbell (2012) and Groves *et al.* (2012) construct Britain and British businesses as the victims of Starbucks' actions, with the interloper exploiting 'good' British organisations contributing their 'fair share' in the UK. During the crisis, Costa Coffee, marketed its 'Britishness', (despite operating internationally) (Lewycka, 2012).[8] This 're-conceptualises' why using transfer pricing was wrong: not only is it merely immoral, but Starbucks' techniques operate contrary to British interests (Murphy, 2012)

How do Starbucks and other multinationals (the 'behemoths') act to the detriment of British businesses and Britain in the eyes of the media? Their behaviour serves as an opportunity for politicking, as Margaret Hodge's (BBC News, 2012a) statement employs this 'anti-British sentiment' by stating that *only* 'global' organisations can relocate costs and revenues to give an unfair tax advantage to Starbucks vis-à-vis British organisations. This reweights transfer pricing as a form of exploitation. We see this extended in Murphy's (2012) quote, with the rhetorical alliteration: 'bad for British business, bad for the prospects for growth … bad for … an atmosphere of tax compliance … and bad for communities of the UK'. This positions the transfer pricing arrangements as anti-British through fairness (BBC News, 2012b; Bowers, 2013).

However, we suggest that there are dangers in the juxtaposition of 'fairness' and Britain, and again this might operate to displace the focus from broader systematic tensions . For instance, there are tax havens associated with the UK, including Jersey and the Isle of Man. We argue that couching the transfer pricing arrangements as anti-British (as unfair) displaces a focus on deeper systemic issues for two reasons. First, it presents a contingent (contestable) logic that British businesses are fair; and second, it misrepresents the problem as being a multinational organisational problem. For us, this is a systemic problem between financial and national capitalisms: that is, the hegemony of financial capital constitutes a focus on 'new' accumulation (Lazzarato, 2013) and at the same time, the HMRC, in their role in the self-assessment process, assented to all three transfer pricing arrangements and all the transferred amounts (save for royalty adjustment). These acts were permissible. Thus, while there might be a socio-political problem with multinationals transferring revenue to lower-tax jurisdictions, this is more to do with problems within the law, with government funding of the HMRC and with HMRC processes. In sum, this might be a national capitalism question. The simple problem with the anti-British trope is that transfer pricing to lower-tax jurisdictions, in accordance with the 'arm's length' principle, is permissible under British law (and in many

[8] Costa Coffee reported paying £15 million tax in 2011 with the UK's largest market share for coffee.

jurisdictions and by the OECD). If transfer pricing was the problem, then the media campaign could have focused on law change.

Thus, in a similar sense to immorality, limited evidence was presented in support of the anti-British trope and this nationalistic rhetorical description displaced deeper systemic issues (Mellor, 2010; Lazzarato, 2013). What could have arisen were potential campaigns concerning HMRC enforcement, UK tax legislation or why lower-tax jurisdictions exist. However, a HMRC representative, bound by privacy law, commented that, 'we make sure that multinationals pay the right tax to the UK in accordance with UK tax law' (BBC News, 2012b). Under law, Starbucks was paying 'its fair share': If the HMRC ensures multinationals pay the right tax, then Starbucks pays the right tax and thus, Starbucks is neither immoral nor anti-British.

c Interrogating the Legality of the Transfer Pricing Arrangements (see Table 4)

The media coverage then questioned the legality of Starbucks' transfer pricing arrangements. We suggest the 'fascination' with the legality is quite simply reconciled with the fact that the media and the public, in some ways, wanted this to be illegal. If it was not illegal, then the problem might lie elsewhere. Boris Johnson, for example, responded to the crisis by suggesting that the multinationals had a 'fiduciary duty' to minimise tax exposure (Duncan and Cohen, 2012). While this might represent a practice orientation, this misrepresents the UK legal position: s 176 (duty to promote the success of the company) of the Companies Act 2006, for example, adopts an enlightened shareholder view and mandates that the organisation consider, for example: (a) the likely consequences of any decision in the long term; (b) the impact of the company's operations on the community and the environment, and (c) the desirability of the company maintaining a reputation for high standards of business conduct. While the enlightened shareholder view privileges shareholders of the company, it is problematic to claim a tax minimisation 'fiduciary duty'.

Margaret Hodge was the most direct in stating that Starbucks' arrangements were not 'illegal' (above) (Bergin, 2012a). However, in relation to transfer pricing and multinationals and Starbucks, there are instances of journalists tying the activity to illegality (to sensationalise). Those more familiar with the specifics of Starbucks' arrangements might argue that the adjustment to the rate for the royalty payment *might* constitute evidence of illegality. However, we argue it does the opposite by reinforcing the legality of the royalty transfer pricing arrangement, and even though the 'correct' royalty rate was disputable; it would be a stretch to couch 1.3 percent (6-4.7) the extra royalty payment as 'illegal' (that would run counter to the self-assessment logic). Importantly, no media agency identified this argument (Kleinbard, 2013). Starbucks' 'voluntary' reduction in the royalty payment to 4.7 percent is evidence that the HMRC were enforcing their rights pursuant to TIOPA 2010. Equally, as the remainder of Starbucks' transfer pricing arrangements were not investigated by the HMRC, and by association, they were legitimated as legal and at arm's-length.

We suggest that each intervention concerning legality mystifies. Foster Back (2013) creates confusion by referring to Starbucks' failure to comply with the 'spirit of the law'. However, as the HMRC legitimated each arrangement, this is confusing. Similarly, the media referred to the transfer pricing arrangements interchangeably as 'transfer pricing', 'tax planning', 'tax avoidance' and 'tax evasion'. Given that each signifies a specific area of law and tax practice, this equivalency is confounding. The outrage might be with the law or the social contract, but focusing on Starbucks is a political act of displacement. However, as sensationalisation incorporates inaccuracy, it displaces by concealing. Griffiths (2012), for example, juxtaposes 'tax avoidance' with corporations that 'illegally dodge paying' tax, while diagnosing transfer pricing as a 'legal loophole', which reinforces the idea that Starbucks takes advantage of UK tax law. Equally, images of Starbucks 'gaming' and 'playing' the HMRC reinforces the imagery of Starbucks taking advantage of the system (BBC News, 2012b). As this is incorrect, it deflects the focus towards an evaluation of Starbucks metonymically. The effect of blaming Starbucks displaces opportunities for systemic critique, but likely provided a degree of catharsis. Starbucks was an 'easy' victim, as Murphy (2012) suggests that the lack of a clear example of transfer pricing arrangements may explain the focus on Starbucks, which then became metonymical of (contiguous) rather than metaphorical for (representative) a broken system.

Thus, under significant media attack, public outrage, political discontent and direct action (including significant protest action from UK Uncut), there was substantive pressure on Starbucks. The effect of this was to compel Starbucks to act. The final section illustrates attempts at resolution (the voluntary 'payment' of tax) – but the form of resolution, in this scenario, we argue is catastrophic, as a tragedy of displacement.

3 Catastrophe: Starbucks and the Payment of Tax in Resolution

Play figure 3 dramatically depicts the response by Starbucks voluntarily paying £20 million tax.

[Insert Play figure 3]

The rhetorical construction of resolution in this case is, as Aristotle would suggest, catastrophic. Normally, the hero of a tragedy sees the errors of their ways and makes amends (Golden, 1975). In our play, Starbucks, metonymically, faced an unprecedented media storm of redescriptions which created significant pressure and the hero fell (Neville and Treanor, 2012). Google and Amazon did not. However, in a materially different way to Google and Amazon, Starbucks was subject to significant protest activity, with 45 separate protests arranged throughout the UK (Escobales and McVeigh, 2012). UK Uncut, for example, shut down Starbucks stores through protest action (McVeigh *et al.*, 2012). McVeigh *et al.* (2012) commented that:

> **UK Uncut protesters shut down Starbucks shops**
> The co-ordinated action against Starbucks was the latest in a string of protests which have thrown a spotlight on the complex and opaque world of tax treatments for multinational corporations.

Thus, this negative media, public and political debate, negative commentary and protest action constituted a threat to Starbucks UK. Bowers (2013) reports that following the public outrage over the tax crisis, Starbucks lost 7.3 percent market share in the UK. Hence, Starbucks 'caved to pressure' and agreed to 'pay' £10 million pounds in 'tax' in 2013 and 2014 (Robinson, 2012). The payment was an 'unprecedented commitment' (Milmo, 2012), but we question the logic of constructing this as a payment and as catharsis.

While the 'payment' might strategically displace some public anger, it demonstrates disregard for UK taxation and national capitalisms. It misrepresents tax, as tax is not *voluntary* (Barford and Holt, 2013); it is not a *choice* determined by companies. We argue that there is nothing 'tax-like' about this payment, but this is simply a voluntary gift to the UK Government. Redescribing this as a tax payment 're-names' the gift and signals a form of 'victory' over

Starbucks. However, for us, this is a *real* catastrophe, as the resolution enables Starbucks (as a representative of financial capitalism) to maintain its domination and power over national capitalisms (Lazzarato, 2013).

Certain commentators criticised Starbucks' voluntary contribution and challenged the *resolution.* Elliot (2013) focuses on the growth goal of capitalism and suggests that the public furore over Starbucks illustrates a misplaced logic of *cuddly* capitalism. Duncan and Cohen (2012) were critical of three elements of the £10 million annual contribution: a) they invoked the imagery of church offerings and were critical of the 'celebration' of victory over Starbucks; b) they were critical that this *donation* signalled that Starbucks was comfortable with disregarding the tax process altogether (including self-assessment and oversight) to tell the HMRC what their *tax* contribution to the government would be (what Starbucks is prepared to accept); and c) they critique how this *resolution* mistreats the tax system. This is effectively about control and this illustrates that multinationals, such as Starbucks, in the tension between financial capital and national capitalism wield significant power (Lazzarato, 2013). Gordon (2013) illustrates how this 'victory' was a way for the government to avoid the blame. Gordon (2013) was one of the few commentators who pointed the finger squarely at the tax code and legislators. While not absolving Starbucks of responsibility, Gordon (2013) does suggest that legislators should act in the public good. While we sympathise with Gordon (2013), we do note that transfer pricing is a significant international problem (Sikka and Willmott, 2010) and there is no easy solution, as it is effectively a financial capital problem (as national capitalisms are dependent on financial capital) (Lazzarato, 2013). While arguments about a single, universal international tax (such as the minimum global corporation tax rate), for example, would have the potential to reduce the 'games-playing' by financial capital and multinationals, regulation is never a panacea (Hawkins, 1994; McBarnet and Whelan, 1999).

Bowers and Syal (2013) quote from CBI president, Roger Carr, who suggests that tax 'should not be […] a contribution made by choice in order to defuse public anger […]'. As further illustrative of the displacement by focusing on Starbucks, other multinationals subjected to political pressure, such as Google and Amazon, insisted they pay correct tax and determined not to follow Starbucks.

However, we close this discussion of 'resolution' by reflecting on a simultaneous action by Starbucks UK concerning their employees. While simultaneously *gifting* £20 million to the British government, Starbucks required each employee to sign new employment contracts, which significantly altered employment conditions and removed benefits (Booth, 2012; The Guardian, 2012). One Starbucks' employee commented:

> It's really convenient for them to say [Starbucks is] going to pay more taxes, when they're going to save money with us, the staff […] It's convenient saying we'll pay more because they're going to save more – and the perfect excuse for them is to say to staff 'We're going to pay more taxes, so […]' (Booth and Strudwick, 2012).

Starbucks gave with one hand and took with the other. Thus, this resolution, the gift of 'tax' from Starbucks, is, we argue, a tragic catastrophe.

6 Reflections and Conclusion

When nothing seems to help, I go and look at a stonecutter hammering away at his rock perhaps a hundred times without as much as a crack showing in it. Yet at the hundred and first blow it will split in two, and I know it was not that blow that did it, but all that had gone before (Riis, 1955).

The Starbucks' tax crisis provides an example of the anatomy of displacement and our contribution illustrates the 'tragedies' that emerge in relation to displacement politics. As suggested, the function of displacement is to conceal the primary identity of the political (Laclau and Mouffe, 2001, p.8; Warren *et al.,* 2020). What our paper illustrates, as a form of tragedy, is how multiple interventions (as metonyms) conceal the primary politics between financial capital and national capitalisms. This includes interventions by Starbucks, by multinationals, by competitors, by the media, in key tropes constructed and framed within the transfer pricing discourse, by the use of and understanding of accounting, transfer pricing and taxation, by the PAC and by the UK Government, amongst others. Put simply, the primary politics concerns permissibility by national capitalisms, such as the UK, with respect to the transfer pricing and tax avoidance activities employed by financial capital.

The recent developments whereby over 136 countries indicated support for a global minimum corporate tax of fifteen percent is why we believe Starbucks constitutes an important narrative of displacement. While recognising jurisdictional and cross-jurisdictional developments concerning tax and multinationals subsequent to the Starbucks tax crisis including legislative changes in the UK, Europe and Australia (and the global minimum tax protocol), for example, our paper illustrates that the transfer pricing discussion operated to displace as the spotlight was put on Starbucks as the 'bad apple' rather than the jurisdictional environment that permitted these activities. This is despite the UK Government in 2010 restating its approval for the transfer pricing *arm's length principle* in Part 4 of the Taxation (International and Other Provisions) Act 2010 (which in turn reflects Article 9 of the OECD Model Tax Convention). Similar issues emerge in relation to the Panama and Pandora papers. The primary politics concerns permissibility (control). Such legal interventions do little to unsettle (and often reinforce) the power imbalance held by financial capital over national capitalisms.

The micro-analysis of the minutiae of Starbucks' transfer pricing arrangements (the 're-presentation') displaced opportunities for substantive debate about permissibility and reinforces Morales *et al.* (2014) who argue that a micro-focus on the accounting discourse is prohibitive and likely to prevent reform. The media's presentation of the transfer pricing focused the attention on the minutiae of transfer pricing arrangements and particular multinationals, rather than the primary politics underpinning transfer pricing. The accounting errors, the associated tropes of Starbucks as immoral, as anti-British and questioning the legality of Starbucks' arrangements sensationalised and displaced. Such sensationalisation reminds us that media are actors in narratives and reinforces Czarniawska (2000) who argues that we should remember the *who* and the *what* in analysing media (Eriksson and Kovalainen, 2008). We see scope to apply these techniques to similar corporate crises (in taxation and broader) and to extend such analysis to social media and other communication media).

Ironically, in response to Starbucks, the HMRC cut through the rhetoric and displacement in commenting, 'we make sure that multinationals pay the right tax to the UK in accordance with UK tax law' (BBC News, 2012b). HMRC was correct; HMRC upheld the system. Starbucks used the system and something was wrong. The primary politics is not what Starbucks (and other multinationals) did, but what the system permits within and between financial capital and national capitalisms. The global minimum corporate tax discussions, in our estimation, seemingly reinforce this power imbalance between financial capital and national capitalisms, as it is defined by what is permissible and does little to change transfer pricing incentives. Thus, Starbucks helps to illustrate the primary politics, which is to subjectivate national capitalisms and societies to the interests of financial capital, as holders of *real* power (Lazzarato, 2013).

This *real* power is why the imagery of the Aristotelian tragedy is apt. The power of financial capital is illustrated by the fallen hero (Starbucks) who perfect their disdain for UK *rules* and its citizens. In constructing Starbucks' 'voluntary tax payment' as acceptance that their transfer pricing strategy was unacceptable (and economically damaging to their bottom line), the tragedy is reflected in how Starbucks' employees (in effect) funded the 'payment' and in how Starbucks donates funds to the UK Government as 'tax'. The redescription of the donation as a 'victory' for the people and the government over Starbucks reinforces the dominance of Starbucks and financial capital over national capitalisms (Lazzarato, 2013). Murphy (2012) suggested that Starbucks was 'the example that the public needed' with respect to transfer pricing, but rather, we suggest that Starbucks is the example we need to illustrate how the politics of displacement conceals the primary politics between financial capital and national capitalisms. This is why we suggest this paper is the *anatomy of tragedy*. Despite this, and as the quote above implores, the political lesson with respect to the power of financial capital is that Starbucks should encourage us to keep 'hammering away at [the] rock' (Riis, 1955).

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Table 1: Starbucks UK Financial Statements: 1995-2012

Financial Statements Reporting Period	Turnover (£)	Gross Profit (£)	Administrative Expenses (£)	Operating Loss (£)	Loss on Ordinary Activities before Taxation (£)
31 December 1995	167,435	8,875	(127,158)	(132,474)	(132,512)
29 December 1996	1,350,120	217,845	(683,964)	(466,199)	(441,093)
28 December 1997	6,884,495	1,038,627	(2,662,646)	(1,624,019)	(1,660,942)
13 September 1998	12,351,971	1,832,819	(4,087,150)	(7,327,078)	(7,472,869)
19 September 1999	29,366,658	4,544,573	(10,836,419)	(6,291,846)	(6,244,440)
24 September 2000	59,860,411	13,811,724	(19,621,868)	(5,810,144)	(5,872,329)
23 September 2001	94,821,822	20,558,987	(30,665,278)	(10,106,291)	(10,332,398)
29 September 2002	139,801,494	32,164,319	(50,423,433)	(15,359,351)	(18,141,375)
28 September 2003	170,779,019	30,134,098	(48,122,802)	(17,988,704)	(17,860,442)
30 September 2004	204,055,190	42,034,407	(53,116,270)	(11,081,863)	(12,187,558)
2 October 2005	244,216,333	52,123,330	(58,863,748)	(6,739,748)	(8,105,680)
1 October 2006	286,645,489	65,939,559	(68,786,091)	(2,846,532)	(5,348,000)
30 September 2007	328,160,137	78,878,728	(77,415,464)	1,463,264	(1,399,057)
28 September 2008	373,539,310	77,815,791	(98,185,265)	(20,369,265)	(26,343,663)
27 September 2009	388,267,109	69,738,329	(111,093,260)	(41,354,931)	(52,221,150)
3 October 2010	396,288,137	76,758,502	(102,495,588)	(25,737,086)	(34,236,853)
2 October 2011	397,716,437	78,440,693	(107,233,203)	(28,792,510)	(32,853,958)
30 September 2012	413,392,826	70,582,714	(98,200,023)	(27,617,309)	(30,403,907)
	Cumulative			**Cumulative**	**Cumulative**
	3,521,234,393			(228,182,086)	(271,258,226)

Source: Starbucks Annual Financial Returns (UK Companies Office)

Table 2: Digital and Newspaper Readerships

The data from the table represents the number of people reading these papers, rather than the number of papers sold. These figures are taken from the National Readership Survey (NRS) Print and Digital Data Survey: NRS PADD.

Newspapers	Print 000s	Website 000s	Print and Website total 000s
The Times	5,524	295	5,737
The Financial Times	1,603	813	2,343
The Guardian/The Observer	4,873	6,410	9,571
The Telegraph/ The Sunday Telegraph	5,242	5,392	9,459
The Independent/ The Independent on Sunday	3,682	2,583	5,834
The Daily Mail/ The Mail on Sunday	14,124	6,853	18,494

Source: NRS PADD as cited in Rogers (2012)

Table 3: Media Archive

Online Newspapers	Number of Articles	Authors
The Times	26	Arlidge and Thomas, Booth J., Davis, Duke and Michelmore, Garher, Gray, Grew, Liddle, Littlewood, Maclean, Mansey, Moran, Mostrous, Naughton, O'Connell, O'Connell and Duke, Pitel, Rifkind, Robertson, Savage, Schlesinger, Treneman, Turner, Walsh, Worstall
The Financial Times	8	Barker and Khan, Devereux, FT View (Comment), Gordon, Houlder Carnie and Nevitt, Houlder Pickard Lucas and Jopson, Rigby and Cookson
The Guardian	30	Booth R., Booth R. and Strudwick, Bowers, Bowers and Syal, Brooks, Elliott, Elliott and Stewart, Escobales and McVeigh, Foster Back, Kiss, Macalister, McVeigh Stewart and Bowers, Milmo, Mulholland, Murphy, Neate, Neville, Neville and Maljik, Neville and Treanor, Rushe, Sikka, Stewart, Syal, Syal and Wintour, The Guardian, Toynbee, White, Wintour and Milmo
The Telegraph	10	Ahmed, Armitstead, Barcley, Ebrahimi, Hope, Johnson, Jones, Mason, Telegraph View, Watts
The Daily Mail	52	Barrow, Birrell, Brady, Brumer, Campbell, Campbell and Robinson, Campbell and Williams, Chorley and Barrow, Chorley and Webb, Davies, Duncan, Duncan and Cohen, Dunn and Allen, Evans, Glass, Griffiths, Groves and Barrow, Groves and Campbell, Groves Campbell and Glass, Hawkes and Watkins, Johnson, Martin and Whitehall, Nolan, Porter, Rees and Hawkes, Robinson, Saul, Steiner, Sunderland, Tomlinson, Verkaik, Webb, West
The Independent	15	Ashton, Barker, Diaz, Goodway, Grierson, Lewycka, Macintyre, Pain, Patterson, Rawlinson, Saul, Street-Porter, Wright
Total:	**141**	
Online News Portals	**Number of Reports**	**Authors**
BBC News	12	Barford and Holt, Knight, Parsons, Peston, Simpson, and other BBC Online News Reports
Reuters	4	Bergin, Murray, O'Donnell and Jones
Total:	**16**	

Note: Please note that some authors wrote more than one article and that we have only provided references to those articles and reports that we quote directly from in the article.

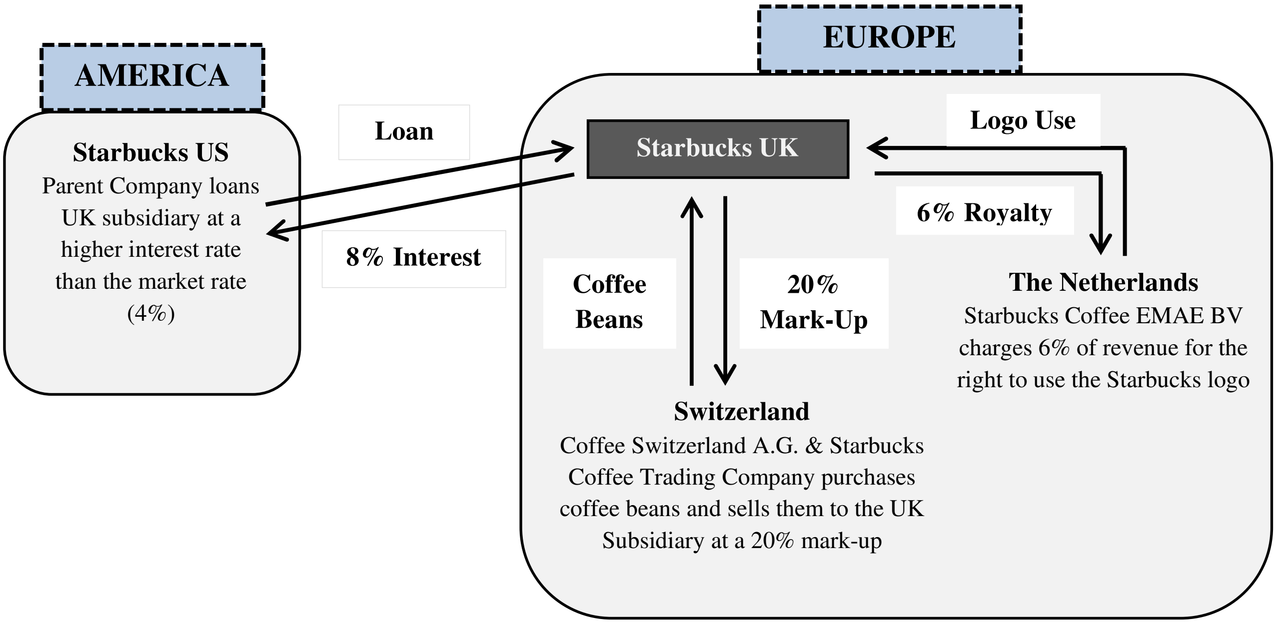
Table 4: Selected Empirical Quotes that Informed our Play and Analysis

***Prostasis:* The interpretation of accounting** **Play Figure 1**	They were protesting against aggressive accounting measures that have allowed Starbucks to pay just £8.6m in tax since launching in the UK 14 years ago. (McVeigh *et al.*, 2012) It is clear multinational companies have developed an unprecedented knowhow for minimising their worldwide tax pressure […] these situations are literally impossible to explain to our fellow citizens. (Bowers, 2013) A four-month investigation by news agency Reuters revealed that Starbucks reportedly paid just £8.6m in corporation tax in the UK over 14 years - including reporting accounting losses when it was profitable. (BBC News, 2012a) Troy Alstead, Starbucks' Chief Financial Officer and one of the company officials quoted in the transcripts of calls Reuters reviewed, defended his past comments, saying the company strictly follows international accounting rules and pays the appropriate level of tax in all the countries where it operates. (Bergin, 2012a) Like so many other huge companies […] Starbucks employ armies of well-paid lawyers and accountants to (legally) exploit loopholes in national laws and devise clever accounting tactics. (Birrell, 2012) The fiery exchange, led by Public Accounts Committee chairman Margaret Hodge, saw [Starbucks, Amazon and Google] accused of siphoning profits away from Britain by using a complex web of accounting strategies that were cynical and "unjust". (Ebrahimi, 2012) Many have taken to Twitter to show their anger and encourage others to stop buying their drinks: 'If you are as outraged as I am that @starbucks pays no tax in the UK on £79 Million gross profit, boycott them,' one said as another added: 'Everbody [sic] please boycott Starbucks until they decide to do fair accounting and pay some UK tax.' (Campbell and Robinson, 2012) The Public Accounts Committee is taking evidence on the issue of taxing multinational companies in light of reports that many large firms are paying very little through accounting chicanery, or by funnelling profits through countries with less onerous tax laws (Griffiths, 2012). Currently Starbucks pays a 'royalty fee' to a sister company in Holland for the right to use the Starbucks brand and recipe, allowing it to benefit from the country's tax regime. This legal accounting tactic helped Starbucks sidestep an estimated £5m corporation tax bill last year. (Groves *et al.*, 2012)
***Epitasis*: Starbucks' Transfer Pricing as Immoral** **Play Figure 2**	The "immoral" tax avoiders: Amazon, Starbucks and Google lashed by MPs over elaborate schemes that deprive Britain of millions. (Campbell, 2012) Starbucks, Amazon and Google accused of being 'immoral'. Amazon, Google and Starbucks were…accused of being 'immoral', 'manipulative' and of 'practising tax avoidance on an industrial scale'. (Ebrahimi, 2012) The action comes as a cross-party parliamentary committee slammed companies such as Google, Starbucks and Amazon for their "immoral" tax dodging which was "an insult to British businesses and individuals who pay their fair share". (Groves *et al.*, 2012) Now politicians from all parties are urging Britons to boycott these behemoths over such "immoral" behaviour. They are right to sound the alarm. (Birrell, 2012)

Starbucks' Transfer Pricing as Anti-British	[…] over elaborate schemes that deprive Britain of millions. (Campbell, 2012) [Quoting Margaret Hodge (then Chair of the Public Accounts Committee)] One of our concerns is that the ability of global companies to choose where […] they put their costs and their profits gives them an unfair tax advantage that damages UK-based businesses […] (BBC News, 2012a) […] 'an insult to British businesses and individuals' […] (Groves *et al.*, 2012) What Starbucks is doing may be legal, but what it also shows is that business does not operate on a level playing field in the UK […] That's bad for British business, bad for the prospects for growth in this economy, bad for the creation of an atmosphere of tax compliance in the small business community when they can clearly see the tax system picks on them, and bad for communities of the UK that need local initiatives to ensure that they prosper and thrive. (Murphy, 2012)
Questioning the Legality of Starbucks' Transfer Pricing	[Quoting Boris Johnson (then Lord Mayor of London)] Imagine you are the corporate finance director of one of these companies [Starbucks, Amazon and Google]. Your job is to look at the law as it stands. Your fiduciary duty to your shareholders is to minimise your tax exposure. (Duncan and Cohen, 2012) It is clear multinational companies have developed an unprecedented knowhow for minimising their worldwide tax pressure […] these situations are literally impossible to explain to our fellow citizens. (Bowers, 2013) [Quoting Margaret Hodge] There is no suggestion Starbucks has broken any laws. [Quoting a Starbucks spokesperson] We seek to be good taxpayers and to pay our fair share of taxes [...] We don't write this tax code; we are obligated to comply with it. And we do. (Bergin, 2012a) [Starbucks' methods are]…against the interests of the countries where they operate and is extremely unfair. They are trying to play the taxman, game him. It is disgraceful. [Quoting an HMRC spokesperson] For legal reasons, we cannot comment on the tax affairs of individual businesses, but we make sure that multinationals pay the right tax to the UK in accordance with UK tax law (BBC News, 2012b) It is down to tax avoidance, where companies and individuals use legal loopholes to minimise the amount owed, and evasion, where they illegally dodge paying. (Griffiths, 2012) Avoiding tax and bending the rules of the tax system is not illegal unlike tax evasion; it is operating within the letter, but perhaps not the spirit, of the law. (Foster Back, 2013)
***Catastrophe:* Starbucks and the Payment of Tax in Resolution**	After paying no tax at all for 14 of the last 15 years Starbucks has finally caved in to pressure and will now hand over £10 million to the Treasury […] Although their new payment of up to £10 million will be seen as a victory for the Government, it is only a tiny proportion of the amount of cash Starbucks generates in the UK. (Robinson, 2012)

Play Figure 3	[paying tax] […] is not a voluntary choice […] it is not something you can just chose to do willy-nilly because you think it will please your customers, it is an obligation […] Thinking of the tax system as if it is like the church plate going around on a Sunday morning is completely the wrong way to think about it. (Duncan and Cohen, 2012) Tax payments are not, and should not be […] a payment viewed as a down payment on social acceptability, or a contribution made by choice in order to defuse public anger or political attack. (Bowers and Syal, 2013) It is an easy win for politicians to pour opprobrium on these techniques [to minimise tax]. But, if companies are taxed inadequately or inappropriately, the blame can be laid at only one door – that of the legislators who design tax codes. Companies should be run for the benefit of their shareholders and other stakeholders. They are not tasked with looking after the common good – governments are. (Gordon, 2013) [Quoting the head of tax policy at KPMG] I think what [Starbucks has] said is absolutely extraordinary and really does change the tax landscape. It is the first time I have seen public opinion make a company change its mind. [Quoting Delaney (Tax lawyer at Milestone International Tax Partners)] [this makes] a "mockery" of the tax system. […] [y]ou have a fundamental principle that you can only be taxed by clear legislation and yet you have this process where a company is hauled up and publicly embarrassed and blackmailed into volunteering more tax. […] Google and Amazon declined to follow Starbucks' lead, insisting they pay the correct level of tax. I think what [Starbucks has] said is absolutely extraordinary and really does change the tax landscape. It is the first time I have seen public opinion make a company change its mind. (Neville and Treanor, 2012) Capitalism is not about being cuddly or sponsoring exhibitions at the Tate Modern; it is about making profits, the higher the better. (Elliott, 2013)

Figure 1: Starbucks UK and its Transfer Pricing Arrangements



Play Figure 1

- ACT 1, SCENE 1, Exposition (Protasis) -

'Accounting is back in the news…

'I am late meeting Jo for coffee at Starbucks…I better hurry.'

[Scene: Arriving to a busy central London Starbucks coffee house]

Alex: Hi Jo, sorry for being late but am real busy right now at work…

Jo: Hey, don't worry, Alex. No problem at all. I had to wait to grab a table for us anyways. It is always busy here at Starbucks…Hey, Alex, what would you like? It's on me today.

Alex: Ummmm. A Venti Skinny Latte…and a piece of Banana Loaf. Cheeeeers, Mate.

[Alex moves the armchairs closer together at the table because it is noisy with the chatter of a humming crowd immersed in the Starbucks cultural experience. Jo joins Alex who is sitting comfortably in one of Starbucks' famous armchairs.]

Jo: Here we go.

Alex: Awww, thanks, Jo. I owe you one! I really need this. I am sooo tired from work and I just wanna sit back, relax and catch up on all the goss. What's been happenin'?

Jo: Nah, not much really. Everybody at home is all good. Need to talk to mum though. She's stressing as usual and she sent me one of her infamous long emails, reminding me to behave. Always on that moral crusade.

Alex: Yeah…I know. I assume it will go away with time. She just has to get used, you know, to you being away from home and being a big person!!! She's a sweetie, really.

[There is a natural pause in the conversation, as both Alex and Jo take the first sip of coffee. They breathe in the aroma of Arabica beans. Without warning, a pensive look sweeps across Jo's face. Alex notices immediately…]

Alex: Hey, how's your coffee?...By the way, you ok?

Jo: Ahhh, yeah, no…No, it's nothing really…

[The hesitation indicates something is on Jo's mind]

Hey, accounting's back! Accounting's back in the media. And usually that means the, you know, the proverbial is about to hit the fan. Remember last time: the financial crisis, Enron etc…Hey, tell me, did you hear all that stuff about Starbucks? Everywhere I look there is another headline about accounting and transfer pricing. Lots of figures: £3 billion revenue; a little more than £8 million in taxes paid. All real complex, but supposedly they done real bad stuff. So much revenue, so little tax. It seems rare that accounting seems to matter!

Alex: Yep. I have been reading it at work. You know. Research! Gotta to love those six-minute units, ah?

[Alex pauses. Sips from the coffee]

All sorts of 'angry' words associated with accounting. This transfer pricing issue is 'aggressive accounting'. My favourite was reading an article that said they were 'literally impossible to explain to' people. What's the point?!!!?

Jo: I know. Supposedly, there were issues with the amount of tax paid and that the company was really profitable, despite reporting it was making losses. The Starbucks CFO said that they strictly followed international accounting rules, though.

Alex: This other article said that Starbucks used 'clever' accounting. Almost sounds oxymoronic. Others though, said that Starbucks needed to do 'fair' accounting. Does that mean their current accounting is unfair?

Jo: Maybe. Hodge said that the accounting was complex and a web of strategies that was cynical and unfair. I always thought accounting was supposed to be neutral! Another article said that this was accounting chicanery and another said that this legal accounting tactic was saving Starbucks £5 million tax.

Alex: Yep, accounting is back in the news again. Man, there are some pissed people out there. I don't really get it. It all seems so complex…

- End of scene -

Play Figure 2

- ACT 2, SCENE 1, Complication (Epitasis) -

'You would assume that everybody pays tax in the UK, no matter whether it is an individual or Starbucks, an organisation. This failure to pay tax must be immoral or is it illegal?'

[Cut to scene: A few days later…It is later in the afternoon and Alex and Jo walk down Oxford Street after work. Alex and Jo are in active conversation. They are discussing Starbucks]

Jo: It just does not seem right. I was looking online and there is all this stuff there about this 'immoral' and 'manipulative' behaviour of Starbucks, Amazon and Google.

Alex: I know, I heard a little about it. Yeah, but too much detail though. What's it all about? Can a company be immoral? That's weird.

Jo: Not too sure, really. There is a lot of focus on Starbucks only paying £8 million or so in tax. I watched BBC News the other day and they had some parliamentary-type on, claiming that Starbucks was not paying its fair share – [Jo is lost in thoughts]…and there was something about avoiding tax?!

[Both stop walking. Jo looks uncomfortable. Alex takes a moment to ponder and is deep in thought]

Have you seen this stuff? You should have a look online…it's really interesting, but also confusing. I don't really get what's going on...deprivation, manipulative, industrial scale tax avoidance, immoral tax dodging, a need to boycott these behemoths…

Alex: I see.

[Alex is not really listening, as Alex is looking at something on the phone].

Hey…there are so many hits out there on Starbucks and tax. Wow!! I got so many articles. Far out, Starbucks seems in big trouble. They are accused of avoiding tax and that this is unfair to 'normal' people – like us I guess – who pay their taxes. And unfair to British businesses!

…Well, that makes sense, doesn't it?

Jo: Yeah, naturally, I agree. Of course that is unfair. Why should I pay my taxes and they do not? That's just not fair.

[Jo is frantically scrolling through the phone, looking for things to read on Starbucks]

Alex: …Far out! I watched a video of the Public Accounts Committee with Margaret. Pretty heavy going. Lots of angry people there!!! Everywhere you turn there is a new article about Starbucks – it is in every newspaper, every day, online, on TV, radio. It's the only thing people are talking about at work. Man, some people are right angry about Starbucks. It just ain't fair, you know. There seems to be a real movement against Starbucks. It ain't right. It ain't fair and it makes a mockery out of us! Margaret Hodge was furious about global businesses moving profit overseas and paying less tax compared to real British businesses.

I think she's right. This is an insult to British businesses and individuals. Absolutely! This is anti-British!!!!

[Jo pauses to take this in. It is a pretty serious claim and Jo is not wholly convinced. Alex senses the hesitation and takes the initiative]

Alex: Hey! Hey! Hey! Have you seen this? I've been thinking hard about this. This Guardian writer says while Starbucks's behaviour is legal, the fact is that these big businesses doing their own thing affect small business in the UK. I think this means that the tax system is unfair to small businesses. It seems pretty legit.

Man, not only is Starbucks damaging British business, but the government is losing millions of pounds in tax money. That's money for you and me!

Jo: Sure, that's interesting, but I don't know. All this talk of bad Starbucks – I still don't know if I get it all. I mean, what was Boris on about defending Starbucks? He said that Starbucks was in a 'hell of a mess', but then he said that their job – the finance chiefs – is to reduce tax as much as possible because of the shareholders.

[Meanwhile, Alex 'likes' a page saying that Starbucks is anti-British]

Alex: What? Really? What? Why's he defending Starbucks? I mean…of course that's Starbucks' job, but, but Boris? I don't get that!

[Alex pauses, suddenly worried that the 'like' was premature. More searching...]

Hey, Jo, maybe you're right. I remember this Starbucks' spokeswomen saying that they're paying their 'fair share' and they just follow the rules. Maybe we are being unfair. Maybe Starbucks is ok after all? Have they broken the law?

Jo: I'm not sure if this is about breaking the law. It might be more about what constitutes a fair share. Is it right to pay only £8 million in 14 years? On BBC News, they said that Starbucks and the others are *playing* the taxman which is against British interests. They say, 'it's disgraceful'. There are some pretty angry people about this. But I just don't get it all.

Alex: Ummm…Jo, to be honest, I don't know either. I wish someone would just clarify it. An HMRC spokesperson really confused me this morning. That person said they cannot even comment on this but that they make sure that multinationals pay the right tax. Yeah right!?

And does that not mean the Starbucks has paid the right amount of tax? If so, then what is this all about? I don't get it. If this HMRC dude is right, then why all the media stuff? What's up with the immoral and illegal claims? Man, this is frustrating!!!

[While Alex remonstrates, Jo spots a Pret a Manger, and decides that it is time to eat]

Jo: Hey, you hungry? Let's grab something to eat…

[Alex nods in approval and both select sandwiches and coffees. The dialogue continues when both are seated at a table. Jo launches in…]

Did you hear that the HMRC claimed that there is a 'tax gap' in the UK of £32 billion per year?

Alex: A what? A ‘tax gap’? What’s that?

Jo: It’s all quite complicated, I think, basically, the HMRC claims that they should have collected £32 billion more than what they did.[9][10]

Alex: Wow! That’s so much money. Imagine what the government could do with all that – they *only* spent like £10 billion on the London Olympics! And if they ensure that multinationals pay their fair share, then where does this tax gap come from?

Jo: I know…but here’s where I’m at. I’m really confused by so much terminology. The HMRC says that tax avoidance and evasion make up around £9 billion of the £32 billion.

[Jo pauses. This is to gather thoughts. Alex smiles kindly]

You know, what I don’t understand is what is wrong here, like, what is against the law and what is allowed? I kinda know that evasion is illegal, but is avoidance?

[Jo ponders this for a moment, then continues…]

I want some clarity. I don’t know what to think, ‘cause I read in the news about avoidance and evasion. And they said evasion is illegal.

Alex: So it is both legal *and* illegal? …all I know is that I am confused.

[Alex pauses for a moment. A few minutes of silence pass, as Alex and Jo are both munching on a sandwich and reading…Suddenly, Alex interjects]

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The HMRC estimated that the tax gap for the 2010-2011 financial year was £32 billion, which is 6.7 percent of the total amount of tax that should have been paid; of this, tax evasion and avoidance combined accounted for £9 billion (HMRC, 2013).

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So Margaret says it is not illegal, and that Starbucks has not broken the law…because its tax avoidance and not tax evasion?

Jo: So, this is not really about illegality, but about what is permissible.

Alex: I think you are right…there seems to be a fundamental problem with the law, but I am just not so sure where the problem lies. Is it with the government or Starbucks? I have heard so much about transfer pricing. Sending money out of the UK to like Switzerland and other places; it all seems really complicated…and apparently normal people like us are not 'supposed' to understand?

Jo: No, Alex…maybe you're right. I am so confused, I hear what they say, you know, but I cannot always connect the dots. Some talk about 'illegality', some talk about 'evasion', some talk about 'avoidance', some talk about 'immorality', some talk about 'anti-British' and 'bad multinationals'. It's just so complicated. Right?

[Alex smiles, then frowns, closes eyes and lets out a long sigh. Both Jo and Alex remember that they are supposed to be having lunch…Both are deep in thoughts]

- *End of scene*

Play Figure 3

- ACT 3, SCENE 1, Resolution (Catastrophe) -

'Public pressure and consumer anger on Starbucks drove the coffee chain to pay £10 million corporation tax annually in 2013 and 2014'.

[Cutting to the scene, a week has passed since the last conversation. Alex and Jo have met for another coffee, but this time in a local coffee shop, after deciding that Starbucks is not the place to be seen at the moment, Alex approaches Jo with a couple of Medium Hazelnut Lattes and a slice of carrot cake. Alex is smiling]

Alex: Hey Jo, how you doing?

Jo: Good, ta, thanks for the coffee. But look at you, you are radiant! What's going on – you look suspiciously happy today.

[Jo smiles, as well, infected by Alex's smile]

Alex: Yeah, Jo. I am really happy today. I think we won! All that pressure. Yay!

Jo: What do you mean? We won….

[Alex cuts off Jo]

Alex: It's over. Finally! Starbucks have caved. I read it this morning. In the news. Starbucks is gonna pay £20 million tax in total.

Jo: [Jo mumbles while reading an article off the phone]

After paying no tax…for 15 years…Starbucks will now pay…£10 million to the Treasury…victory for the Government…tiny proportion…

[Jo pauses; takes a deep breath]

Wow [And exhales slowly]

Alex: Wow, indeed. That's such good news. I s'pose that means that public pressure, anger and all those nasty online comments mean something. People's democracy! It's amazing that Starbucks changed their mind.

Jo: Yeah, but no, but…I mean, it is good, right?

[Jo takes another deep breath]

Don't you think that £10 million per year is rather small? Particularly when Starbucks made £3 billion in revenue in, like, 14 years?[11] I mean, there is literally a Starbucks on every street corner here in London and they are always busy. I just don't know.

[Jo pauses to consider a news article on the phone]

Look, to be honest, I don't think £20 million is enough. And can an organisation just choose how much tax to pay? It says that paying tax is neither voluntary nor a choice, it's an obligation. I like this line, 'it's not like a church plate being passed around on a Sunday morning'. And another critic of this payment says that paying tax is not like a 'down payment' to 'rescue' public anger or calm political attack. What'ya think?

Alex: Sure, but something must be better than nothin' right? I mean, they paid nothing for years and I wouldn't turn down £10 million? And maybe this makes a change? The head of tax policy at KPMG said that Starbucks' move is changing the whole tax idea and that no other company ever has changed 'its' mind because of 'us', the public.

[11] According to Booth (2012), '[T]he protesters are unimpressed by Thursday's announcement that Starbucks is to pay £10 m in taxes over the next two years as it restructures its complex arrangements that have seen its UK operation pay no corporation tax in the past three years'.

Jo: I just don’t believe that optimistic stuff. Would anything change here? It has been happening for so long! Look, this guy says that this makes a ‘mockery’ of the tax system as the public has ‘embarrassed’ and ‘blackmailed’ a company to pay tax…

Try again, mate. These guys paid no tax for three years. This ain’t a change. Nah…

Alex: You might be right. You might be right. That would be sad, right?

[Alex stares into the distance for a while…]

Jo: And you know what? Google and Amazon chose not to follow Starbucks’ example, because they think they are right in how much tax they pay.

So, what really has changed? This will all be forgotten in a couple of weeks. Don’t you agree?

Alex: Maybe? Does that mean that business just wants to look after itself? Is Starbucks only paying the £20 million to calm the public down and stop the boycotts?

[Jo pauses and thinks. Jo responds in almost a militant way]

Jo: I think so…we live in a place where companies are basically in control. And you know, if we really wanted to blame somebody for all this then we had to blame those that wrote the tax code. Don’t you think? It is not all about the money?

Alex: So there’s nothing to do?

Jo: I wouldn’t say nothing. At least those protests led to something…

- End of scene -