

Tax Policy: enabler or driver?
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During the tax webinar 'What is tax policy?' (IFA Nigeria - 20 Sep 2023) there began to be a repetition of the phrase 'driving the economy'. There is an enormous difference between driving and enabling an economy. It is a popular trope in Nigeria to talk about 'driving the economy'. Unless one is talking about driving an economy into a ditch it is generally not possible to drive an economy.

An economy is driven by the energy and will of the people. Sieyes, the French economist who played such a major role in preparing for the French Revolution, knew this well and aimed to mobilise the French people for change. Tax policy assists in creating an enabling environment for where the country wants to go. There is an enormous political and psychological difference between driving and enabling. Driving presents the image of the leader in control of motion and direction and the people are mere passengers. This is a road map to disaster and/or stagnation. Enabling implies making possible and thus requires disseminating what it is the government wants to make possible, what direction the government and country wishes to go. It is then for the people to go in that direction. The people are like a mighty river and policy is like a dike or levee to guide the flow. This dike or levee does not make the river! Enabling also emphasises the need to promote and communicate the government's policy and the absolute necessity to obtain national consensus on the policy direction. Expecting an enabling environment to persuade people to go in a direction they do not wish to go is pointless. On the other hand unleashing the energy of the people can produce amazing results.

A example of unleashing the energy of the people is the recent chip war between US and China. According to recieved wisdom the next generation for chip manufacture/foundry is dependent on photolithography and ASML had a monopoly. As ASML, a Dutch company, had a virtual monopoly on this product, if US could sanction China and prevent access to ASML technology China's role in advanced chip technology would collapse. China could make 14nanometer chips but the 7 nnano meter chip is where the cutting edge is and this would be beyond china. In fact it would take decades for China to catch up on its own. However what US policy was saying to Chinese tech people was 'we will enslave you and make you beg for mercy'. What the Chinese tech people saw was a situation whereby the fatherland's survival and independence rested on their shoulders. It would take a miracle to break ASML monopoly. President Xi cannot order miracles!

We were confident that the mass mobilisation of the energy of Chinese tech people would shake the world. In the recent weeks Huawei has announced that Chinese 7 nanometer chips are now in their new mass produced phones. Chinese 7nm chips are not a matter of principle or a concept, they are in mass production today. The US is in shock.

An enabling environment that unleashes the energy of the African people can also produce required miracles.

¹ IFA is International Fiscal Association see ifa.nl