

# And in 5th Place?

## The long march to Freeport UK

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It's a good job that the requirements for membership of the G7 are vague.

The organisation started in March 1973 as the G5 with a decision to hold regular, informal meetings of the finance ministers and officials of the US, UK, West Germany, France and Japan. Italy joined in 1976 and Canada in 1977. The only criterion for admission was that all the participants regarded themselves as 'large advanced economies', though given the absence of the USSR (which surely was one, too, at that point) it was a self-selecting forum for the larger pro-western players in the Cold War. Admittedly, the definition of 'large advanced economy' was somewhat vague but one wouldn't quibble today with the choice of member states back in 1973. But is this still true?

In particular, given its loss of much of its manufacturing base since 1979, is the UK's continued membership justified? Our politicians certainly think so. Until very recently it was a political commonplace that the UK was the fifth largest economy in the world. David Cameron,<sup>1</sup> Theresa May,<sup>2</sup> various Liberal Democrat candidates<sup>3</sup> and Nigel Farage,<sup>4</sup> all stated that the UK is the fifth largest economy in the world. In the Labour Party manifesto for the 2018 general election, Jeremy Corbyn stated that the UK is the fifth *richest* country

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<sup>1</sup> *The Independent*, 9 November 2015 <<https://tinyurl.com/y4lgk7qz>>? or <<https://www.independent.co.uk/news/uk/politics/britain-would-do-okay-outside-the-european-union-david-cameron-says-a6727031.html>> and in the *Wall Street Journal*, 'U.K.'s "Brexit" Referendum Will Leave Deep Scars', 28 February 2016.

<sup>2</sup> *Washington Post*, 5 October 2016 <<https://tinyurl.com/j3zb7u3>> or <<https://www.washingtonpost.com/news/worldviews/wp/2016/10/05/theresa-may-bragged-about-britain-being-worlds-5th-largest-economy-after-her-speech-it-dropped-to-6th/>>

<sup>3</sup> Although the claim wasn't in the Liberal Democrat official manifesto, it was made by individual candidates: see, for example, <<https://tinyurl.com/y4lgyrrg>> or <<https://spelthornelibdems.org.uk/cy/article/2019/1341348/five-reasons-why-jo-swinson-is-the-candidate-to-tackle-inequality>> and <<https://tinyurl.com/yxqos2r5>> or <<https://www.lambethlibdems.org.uk/lib-dems-renew-commitment-international-development-spending>>.

<sup>4</sup> On Twitter, 2 March 2016 <<https://tinyurl.com/y4ps5t7e>> or <[https://twitter.com/nigel\\_farage/status/705001312098717696?lang=en](https://twitter.com/nigel_farage/status/705001312098717696?lang=en)>.

in the world.<sup>5</sup> More recently the UK economy is widely seen as sixth<sup>6</sup> or seventh largest.<sup>7</sup>

On the face of it, political agreement about being the 5th (or 6th or 7th) biggest economy in the world would presumably be rooted in some sort of factual basis. But is it? Could it be that UK – or to be specific, English – politicians don't actually understand how large the economy of their own country is – let alone the process by which one would accurately judge the true size of an economy?

For clarity, on a purely statistical basis, the data collected by the IMF, the UN, the World Bank and even the CIA is worth looking at in some detail. This shows that the UK is the 21st largest country in the world in terms of population. But GDP per capita is below that expected for a country of the UK's size (24th World Bank, 29th CIA World Factbook); GDP per person employed is better (23rd both) and GDP per capita (all goods and services) averages 22nd across the IMF, World Bank and United Nations. Gross National Income per capita averages out between purchasing power and all goods and services at 21st, spot on for a country the size of the UK.

Looked at in this way – a very generalised, overall picture – the UK doesn't come out too badly. Things start to go awry with the figures for Household Expenditure per capita (11th: the UK population spends far beyond its means); GDP per hour worked (13th: and clearly works longer and harder to do so); and Gross National Savings (a mere 106th: UK households save very little indeed). On exports of all merchandise (goods and services) the country comes in a creditable 9th (the EU are 1st, China 2nd, US 3rd). This sounds promising, until one realises that this is swamped by imports. On *net* exports the UK is 193rd (one place above the US 194th, with China 1st and the EU 2nd). Things get worse with Annual Trade Surplus ('Not Applicable': there isn't one); Annual Trade Deficit (2nd: the US are 1st); Sovereign Wealth Fund ('Not applicable': quite extraordinary for an economy that was exporting oil for 40 years; China are 1st and even the USA 10th). Similarly, the UK has none of the Largest Pension Funds and is not a Creditor Nation. But it is a

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<sup>5</sup> This absurd claim was discussed in *Lobster* 78 at <<https://www.lobster-magazine.co.uk/free/lobster78/lob78-view-from-the-bridge.pdf>>

<sup>6</sup> See for example <<https://www.bbc.co.uk/news/business-37763913>> and <<https://www.investopedia.com/insights/worlds-top-economies/>>.

<sup>7</sup> <<https://tinyurl.com/y35jj4f4>> or <<https://uk.reuters.com/article/uk-britain-economy-rank/uk-economy-to-slip-to-seventh-biggest-in-world-in-2019-pwc-idUKKBN1OI00L>>

sizeable Debtor Nation (9th: the USA is 7th).<sup>8</sup> The combination of borrowing and debt means that, in terms of the size of its Government Budget, for 'all activity' the UK ranks 6th (the USA is 1st), 2nd in terms of External Debt (the USA are 1st), and, fuelled by exceptional levels of personal borrowing, scores 11th in terms of Household Debt.

The mixing up of non-productive borrowing and debt with productive facets of the economy (manufacturing, mineral production, precious metals, sovereign wealth funds, savings etc) allows the UK, uniquely it would seem, to ascend from a ranking somewhere in the mid 20s in terms of its actual economic 'size', to its much talked about status of 5th, 6th or 7th. A kind of financial sleight of hand. But it is unclear why anyone would regard high levels of External Debt and Household Debt as a benign economic activity. Or why they should be included when undertaking exercises of this type in the first place. There are other factors, too, that one might ponder. The political left in the UK maintain that, whatever its ranking, the UK remains a wealthy country that looks after the interests of the rich. In support of this they would point out that it has high Foreign Exchange Reserves (14th), high Gold Reserves (17th) and a level of Corporate Debt, in proportion to its population, that seems to be slightly lower level (26th) than would be expected for the size of its population.<sup>9</sup> And for those on the right, the level of Development Aid given by the UK (2nd: the US is 1st) may be seen as an unjustified level of beneficence from a moderately sized economy . . . if they actually felt the UK were in that category.

A good summary appeared in *The Times* on 10 October 2018, which reported that the IMF had compared 31 countries and had concluded 'the underlying state of Britain's finances is one of the worst in the world'. Although the ratio of debt to GDP was then better than France, the USA, Japan and Canada, on a net-worth calculation only Portugal was worse than the UK. They stated 'Britain has frittered away its assets to flatter the traditional public finance metrics while doing long-term damage to the government's net wealth' and 'Norway used its North Sea oil windfall to build up financial reserves equivalent to almost four times GDP. However Britain's financial assets are less

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<sup>8</sup> On that matter, within the EU, Greece, Portugal and Spain all rank as debtor nations as a consequence of the 2007-2010 banking crisis. Although it must be debatable whether any had governments that systematically sought to adopt that status in the way the UK appears to have done over many decades.

<sup>9</sup> In this respect, some of the economic assumptions made by former Labour Party leaders Jeremy Corbyn and John McDonnell were quite legitimate: there was scope for an incoming government to liquidate some of the UK's Foreign Exchange reserves and Gold reserves and to tolerate a higher level of Corporate Debt as part of a general 'levelling up' within the economy.

than a quarter as large in GDP terms, despite the UK's North Sea oil bonanza in the 1980s.'

In summary: the UK's economic policy of the last 40 years has been a disaster. On the face of it, claiming to be the 5th (6th or 7th) biggest economy in the world is an English piece of self-aggrandisement. But is it? Could it be the case that UK political figures, from Blair to Corbyn via Farage and Cameron, don't actually understand any of this? Perhaps it's reasonable to assume that they wouldn't have the time to read through huge amounts of economic data and reach their own conclusions. Fair enough, but they could do worse than click on <http://www.countries-of-the-world.com>. This has the UK as the 29th *richest* country in the world. (Leaving aside tiny tax havens, Ireland ranks the highest. Norway, Switzerland, the US, the Netherlands, Saudi Arabia, Sweden, Germany, Taiwan, Australia, Austria, Denmark, Canada, Belgium and Finland all score better than the UK.) This ranking is reached by calculating GDP based on Purchasing Power Parity per capita (an index commonly used by economists). Calculating the total value of goods and services produced in each country as if they were sold in the same currency, in this particular case the US Dollar, it enables a consistent measurement of the overall standard of living to be made. But, by any stretch of the imagination, on any objective analysis, the UK isn't the 5th (6th or 7th) of anything. It might only be a matter of time before knowledge of this catches up with whoever oversees the G7 (and G20) and the exit of the UK from both occurs.

The size of the UK economy and where it stands *correctly* in relation to other countries may not, of course, be of much concern to many who favour life outside the EU. In the immediate aftermath of the 2016 referendum, many of the UK political class and their associated commentariat, thought the option of 'pretending' to leave the EU (i.e. 'leaving' but remaining in the EEA and EFTA) would be the compromise eventually brokered on that issue. They were wrong. At every stage, those who demanded a referendum, campaigned for 'leave' and then insisted on the implementation of the result, have opted for no relationship at all with the EU. Whilst publicly maintaining that they favour some sort of close trading relationship, that never quite seems likely to materialise. As some commentators<sup>10</sup> now realise, the end-game of the 'Brexiters' may well be (and may always have been) to deliberately turn the UK into a completely different country: specifically, a gigantic version of the Channel Islands. Located off Europe, the UK would have the Queen's head on stamps and banknotes, policemen with funny helmets, red telephone boxes

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<sup>10</sup> Bartholomew Steer in this edition of *Lobster* argues as much. Professor Chris Grey, of Royal Holloway College, argued similarly in August 2020. See <https://chrisgreybrexitblog.blogspot.com/2020/08/a-preview-of-blame-games.html>.

etc. However, the UK would become a deregulated tax haven run, via locally compliant political leaders, by and for a class of extremely wealthy unelected international investors.<sup>11</sup> Indeed, the version of 'leaving' the EU they advocate means having exactly the same relationship with the EU as does the Channel Islands.

## Freeports

In particular, they are keen to establish 'freeports' across the UK. In this context note the comments of the Adam Smith Institute, as given to the BBC on 2 August 2019, stating that free ports 'provide safe harbour for trade in turbulent times and show that hi-tech hubs of enterprise, low taxes, deregulation and trade without restriction can rebalance the economy';<sup>12</sup> or the proclamation by Rishi Sunak MP (before his appointment to the Cabinet) in a November 2016 report for the Centre for Policy Studies that freeports would 'reconnect Britain with its proud maritime history as a trading nation and act as a beacon of British values, signalling the country's openness to the world'.<sup>13</sup> Sunak (whose employment prior to his becoming an MP was with a Cayman Islands-domiciled hedge fund) made his preferences even clearer in August 2019 when he stated (wrongly) 'the EU is the only place where these [free ports] really don't exist'. In fact, the EU has 80. The UK had 5 until 2012, when the government let the legislation that governed them lapse.

Given that freeports are nothing exceptional (not only are some sea ports also free ports, every international airport has one in its Duty-Free shopping zone) one wonders what, precisely, is meant by the assertions of Sunak, the Adam Smith Institute and others. The issue clearly is not that the UK doesn't have any free ports now, or that this is some new device for re-booting the economy. What matters is how many you have, how you regulate them, and

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<sup>11</sup> That the direction of travel might be to deliberately have 'no deal' was noticed in *The Times*, 3 October 2019 (p. 45). 'Hedge Funds see chance to call shots by backing Boris Johnson and Brexit' had Rachel Johnson confirming that the PM (her brother) was in thrall to 'people who have invested billions in shorting the pound' and former Chancellor of the Exchequer Philip Hammond stating 'Mr Johnson is backed by speculators who have bet billions on a hard Brexit – and there is only one option that works for them: a crash-out no-deal that sends the currency tumbling and inflation soaring.'

<sup>12</sup> See the 'Freeports to provide safe harbour in turbulent times' press release from the Adam Smith Institute' at <<https://tinyurl.com/yxo66y7s>> or <<https://www.adamsmith.org/news/freeports-to-provide-safe-harbour-in-turbulent-times>>.

<sup>13</sup> Quoted in 'What post-Brexit UK free ports could mean for food & drink' from *The Grocer* <<https://tinyurl.com/y253dxju>> or <<https://www.thegrocer.co.uk/brexit/what-post-brexit-uk-free-ports-could-mean-for-food-and-drink/598187.article>>.

who benefits. Countries with an abundance of freeports include Nigeria, Taiwan, the United Arab Emirates and Serbia. The entire US Virgin Islands are a freeport, and within the Caribbean this model has long been common. But, if by 'freeport', what the Adam Smith Institute means is a low-tax deregulated area, then, surely, what they are *really* talking about are *tax havens*, or as economists would define them, OFCs (Offshore Financial Centres).<sup>14</sup> In this context it is worth noting that 60% of global OFCs are either UK dependencies or ex-dependencies: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, Niue, Turks and Caicos Islands, Antigua and Barbuda, Bahamas, Barbados, Belize, Cyprus, Dominica, Grenada, Hong Kong, Maldives, Malta, Mauritius, Nauru, Samoa, Seychelles, Singapore, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Tonga and Vanuatu. From which, one might consider that what the Brexiteers are *really* attracted to is the UK aligning itself with a network of tax havens – most of which are existing or former UK territories. Their view would be that this would result in 'the size' of the UK's economy continuing to expand (as more money was funnelled through it from one domain to another). They would also argue that this economic model was superior to continued membership of the EU, which, they would claim, precluded the UK adopting any such 'tax haven' like status.

## Hayward

**A**s it happens, this is not accurate. The definition of a tax haven is complex. At its simplest it means any territory that has lower than average taxes, lower than average levels of regulation and a banking system that operates in a mainly mercantilist fashion. Such places thus act as both a conduit for funds from one OFC to another OFC and between individuals (oligarchs, billionaires) with enormously high levels of personal wealth. Within the EU, Cyprus, Ireland, Luxembourg, Malta and the Netherlands are all classed as 'tax havens', though none are as large or egregious in their embrace of this status as the UK (which left the EU in January 2020).<sup>15</sup> So, if being a tax haven is consistent (up to a point) with EU membership, the immediate question is why are/were the Brexiteers so determined to leave the EU? Were they simply so blinded by decades of ideology that they failed to understand that they could emulate their Dutch and Irish colleagues? Or do they really favour a radical economic

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<sup>14</sup> The internet provides copious lists of free ports and free trade zones. The US alone has 230 'foreign trade zones' where merchandise is not subject to tariffs.

<sup>15</sup> Of the EU states considered to have tax haven type features, the two largest – Ireland and the Netherlands – both had personal tax rates considerably in excess of those in the UK.

and political reconstruction of the UK, precluded by EU membership? With Leave.EU heavily funded by Arron Banks (business interests in the Isle of Man, Gibraltar, British Virgin Islands), helped by his side kick Andy Wigmore (business interests in Belize), this seems an avenue at least worth exploring.<sup>16</sup> As does Arron Banks' October 2014 switch from being a Conservative donor to funding UKIP. When doing this, though, Banks and his colleagues were arriving late at the party. Sir Jack Hayward, the most prominent UK exponent of freeports from the 1950s onwards, had beaten them to this position decades earlier and an examination of his career demonstrates the link between the scattered economic liberals of the immediate post-war period and the Brexiteers of today.

Three weeks before he boasted on Twitter about the size of the UK economy, Nigel Farage paid tribute<sup>17</sup> to Hayward, whom he was 'privileged to meet' after being invited to attend a football match at the Molineux football ground, Hayward also being the owner of Wolverhampton Wanderers FC. Apparently Hayward had contacted Farage after seeing him on television. Farage recalled: 'I had lunch in the boardroom and some very nice wine. Wolves did lose, but anyway, Lady Hayward made quite a nice donation to the party.' Speaking at a rally in Wolverhampton to set out his case for Britain leaving the EU, Farage described the West Midlands as having 'one of the largest Euro-sceptic traditions' in the country, via 'dear old Sir Jack of course, and an MP called Enoch who had a few things to say about the common market!' The size of the donation – from Lady Hayward – was clarified by the BBC (14 June 2004<sup>18</sup>) which reported it as £50,000, given in 1999. This confirmed an article in *The Guardian* (30 April 2001) which stated:

'Sir Jack Hayward, the millionaire owner of Wolverhampton Wanderers football club, has joined the UK Independence party, donating a five figure sum which will help the party field nearly 500 candidates at the coming general election

[ . . . ]

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<sup>16</sup> A list of Brexit backers, ranked by donation, can be found at <<https://tinyurl.com/y2mpzl7h>> or <<https://www.businessinsider.com/twenty-one-biggest-donors-to-the-leave-brexiteer-campaign-2017-5?r=US&IR=T>>. The majority of the larger donors work in financial services, private equity or hedge funds. They include Crispin Odey, a hedge fund manager who bet successfully against the pound. None of the 21 named are active in manufacturing or the export of manufactured goods.

<sup>17</sup> <<https://tinyurl.com/y2wx2qvj>> or <<https://www.expressandstar.com/video/news-video/2016/02/22/watch-ukip-leader-nigel-farage-was-privileged-to-meet-former-wolves-owner-sir-jack-hayward/>>

<sup>18</sup> <[http://news.bbc.co.uk/2/hi/uk\\_news/politics/3804339.stm](http://news.bbc.co.uk/2/hi/uk_news/politics/3804339.stm)>

Details of the amount will not be released to the electoral commission until July, but Mr Farage said it was a healthy five figure sum.

Sir Jack kept the Liberal Party afloat financially in the 70s, but said yesterday he fully supported the UKIP's aims of keeping sterling as a matter of constitutional principle, not to be ruled from Brussels and to be independent from Europe.<sup>19</sup>

Why Hayward contacted Farage in 1999 rather than Michael Holmes, the leader of UKIP at that time, was not something Farage elaborated on.<sup>20</sup> With Hayward's backing, and that of a number of other donors, UKIP more than doubled their vote (6.5% to 15.5%) at the 2004 Euro Elections. After which Farage took over as leader, with their support rising to 4.4m (26.6%) by 2014. At which point Banks signed up with them. By then Prime Minister David Cameron had committed the country to an 'in-out' referendum on membership of the EU. The first reading of the European Union (Referendum) Bill, in June 2013 came a month after the EU announced, in 2013, a new directive that would end tax-avoiding practices amongst its member states. (The EU presented its proposals for the Anti-Tax Avoidance Directive in January 2016: Cameron announced the date of the in-out referendum 3 weeks later.) The rest, as they say, is history. Hayward died in early 2015 and – like Sir James Goldsmith, another earlier, wealthy euro-sceptic – did not live, to see his lifelong aspiration come to fruition, but his investment in Farage and UKIP paid off.<sup>21</sup>

## Hayward and the Liberal Party

This was not the first time Hayward had funded a UK political party. His search for a political cause began over 40 years earlier when he agreed to back Jeremy Thorpe and the Liberal Party. According to his version of events, Hayward read in *The Daily Telegraph* in April 1969 that attempts were being made by a trio of MPs (Thorpe, Dr David Owen and Peter Mills) to obtain funds to purchase Lundy Island, which was being sold following the death of its

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<sup>19</sup> <<https://www.theguardian.com/politics/2001/apr/30/election2001.uk>>

<sup>20</sup> Farage was elected as one of 3 UKIP MEPs in 1999, in the first Euro-Elections to be contested under PR rules. He worked at this point for Refco, a New York based financial services company. Given his views, Hayward would have preferred Farage to Holmes – who was forced to resign as leader of UKIP in early 2000 after calling for increased powers for the European Parliament.

<sup>21</sup> See 'Kiss me on the Apocalypse: Some Reflections on the Life, times and Politics of Sir James Goldsmith' in *Lobster* 55. Goldsmith's widow, Lady Annabel, was a prominent financial backer of the Brexit campaign.

owner a year earlier. Apparently there were concerns that either L Ron Hubbard's Church of Scientology or 'the mafia' would purchase it – the former 'as a retreat for people with nervous disorders', the latter as a location for a gambling casino.<sup>22</sup> Lundy had its attractions: it was outside UK territorial waters, was not, and never had been, part of the UK, and its residents did not pay taxes. Living in the Bahamas, Hayward was familiar with these characteristics and called Thorpe who explained that £150,000 would be enough to secure Lundy, and that the payment would need to be made through the National Trust, who would be the actual purchasers. Hayward agreed and the deal was announced in the UK press on 23 May 1969, with Thorpe being credited with sole responsibility for raising the money. It isn't clear why Hayward called Thorpe rather than either Owen (Labour) or Mills (Conservative) both of whom, by virtue of their political affiliations – present party of government and likely future party of government – might have had more clout. In any event, Hayward quickly decided Thorpe should be Prime Minister and, after making sure Thorpe was appraised of his views ('I told him that I hated Europeans'), began making substantial donations to the Liberal party in the run up to the June 1970 general election.<sup>23</sup>

In fact, the Lundy episode wasn't quite as portrayed by Hayward, and another account of how and why it came to be purchased is in the public domain. The owner of the island, Albion Harman, had died in June 1968 without any heirs. Although no death duties were payable for Lundy residents, Harman had lived in the UK where they certainly were liable. To help pay these, his executors put Lundy on the market in early 1969.

Pirate radio and film impresario Ronan O'Rahilly, who had hatched a plan as far back as 1966 to use Lundy as a base for Radio Caroline, made enquiries and sent a colleague, Nik Douglas, to scout out the location and make an offer to purchase it. A Carnaby Street dandy who mixed with the Rolling Stones,

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<sup>22</sup> Back in the mid 60s Hubbard had already tried (and failed) to set up a base at an extensive country house he owned in East Grinstead, Sussex. The Scientologists and the local MP for East Grinstead, Geoffrey Johnson-Smith, had a huge fight over it, including an attempt to sue Johnson-Smith for libel. See C. R. Hewitt, *Believe What You Like: What happened between the Scientologists and the National Association for Mental Health* (London: Andre Deutsch, 1973). Hewitt was on the editorial staff of *The New Statesman* and a former Chief Inspector in the City of London Police. The 'establishment' interest in seeking a way to keep Lundy free of Hubbard, the mafia and people like pirate radio boss Ronan O'Rahilly (see below in the text) clearly had powerful advocates.

<sup>23</sup> On why Thorpe was preferred: through 1969 both Wilson (PM) and Heath (Leader of the Opposition) were polling very badly whilst the Liberal Party were at 15%, and won the Birmingham (Ladywood) bye-election in June 1969. Hayward's involvement with Thorpe is covered in Simon Freeman and Barrie Penrose, *Rinkagate: The Rise and Fall of Jeremy Thorpe* (1996).

Douglas is name-checked in in a couple of biographies of important figures from the era – *Divine Rascal* and *Groovy Bob*.<sup>24</sup> He visited Lundy with Tommy Weber, another member of the Stones entourage, and both concluded that the island – as well as hosting Radio Caroline – could be used by Tibetan exiles, led by Chögyam Trungpa, as a territory from which they could run a government in exile and issue passports. When Hayward read about the official efforts to raise money to buy Lundy, the UK government was fending off an approach from Douglas on behalf of O’Rahilly and Trungpa. Douglas was told that the UK government had brokered a private arrangement with the National Trust. He then, along with his cohort Tommy Webber, tried approaching the Landmark Trust – getting as far as meeting Sir John Smith MP, Chair of the Trust. (In Douglas’s account of this meeting, Smith was ‘accompanied by two operatives from MI6’). It all ended in disarray, with it being made very clear that the Douglas/Webber offer was not being entertained. Subsequent to the meeting in the presence of those ‘operatives from MI6’, Douglas claimed that he and Weber were followed and kept under surveillance for some weeks. They dropped the idea and the Landmark Trust duly bought the island.<sup>25</sup>

Hayward’s father, Sir Charles Hayward, was originally a conventional West Midlands industrialist: director of A J Stevens & Co, a significant player in the local automotive industry. He left this and became a stockbroker in the ‘30s setting-up, acquiring and merging companies in the UK, Holland, Germany, India and Australia before selling them on – rather in the style of Sir James Goldsmith. His son, Jack, joined him in this enterprise in the 1940s. By 1969

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<sup>24</sup> Andy Roberts, *Divine Rascal: On the Trail of LSD’s Cosmic Courier*, Michael Hollingshead (London: Strange Attractor Press, 2019) – reviewed in this issue of *Lobster* at <<https://www.lobster-magazine.co.uk/free/lobster80/lob80-divine-rascal.pdf>> and Harriet Vyner, *Groovy Bob: The Life and Times of Robert Fraser* (London: Heni Publishing, 2016)

<sup>25</sup> See <https://www.landmarktrust.org.uk/lundyisland/>.

For Douglas’s account see Robert Greenfield, *A Day in the Life: One Family, the Beautiful People, and the End of the Sixties* (Cambridge, Massachusetts: Da Capo Press, 2009). How Douglas knew the people at the meeting were from MI6 isn’t clear. An interest in off-shore, low tax locations was shared by one of O’Rahilly’s rival pirate radio entrepreneurs, Dallas-based businessman Don Pierson, who managed Radio London and Swinging Radio England 1964-1967. Pierson set up a ‘privately financed, privately managed free enterprise zone’ on Tortuga Island off Haiti. By early 1978 he had moved on to Dominica, then a UK dependency on the verge of independence. Here he concluded an agreement with amenable local politicians to cede a sixth of the island, immediately post-independence, to the Southern Caribbean Corporation (run by himself) to establish a free port with ‘employment opportunities in hotels, banks, radio and TV stations, and casinos’. Ultimately this failed due to extensive opposition, and Pierson would subsequently be implicated in a coup attempt in Dominica in 1981. See <<http://spincleaning.org/dominica-protest.html>>.

they had diversified their interests (the UK part of which – the Firth Cleveland Group – was sold in 1972 to GKN) and were part owners of the Grand Bahama Port Authority (GBPA).

Established in 1955 by Wallace Groves and Stafford Sands, the GBPA consisted of 50 square miles (about 10% of the total land mass of Grand Bahama Island) and was (and still is) subject to separate administration, paying no taxes, tolls or excises and being exempt from other Bahamian laws, including immigration laws. It is, effectively, a country within a country run by whoever owns the GBPA company. Groves was a US investor who was indicted by the US Treasury of charges of conspiracy to defraud in 1939, convicted in 1941, and served time in a Federal penitentiary. After his release he moved to the Bahamas where he pursued the possibility of operating a politically detached part of the UK colony as a privately owned 'freeport'. His lawyer Stafford Sands – a locally prominent, white, political figure – helped him bring his proposal to fruition. Once formal agreement was reached, Groves and Sands set about attracting investors. Hayward and his father purchased a 25% stake in 1959. A variety of other interested parties arrived too, notably operators of large-scale casinos. These included Meyer Lansky, after his enforced 1961 exit from Cuba though, officially, Lansky 'only gave advice on the staffing of the casinos'.

Further assistance in attracting international investors to the freeport was provided by Hjalmar Schacht and Ilse Skorzeny (wife of WW2 German special forces commander Otto Skorzeny), it being reported in July 1962:

'Dr Schacht was invited to the Bahamas to study the potential by Mr Stafford L. Sands . . . Chairman of the Bahamas Development Board, and Mrs Ilse Skorzeny, who has been active in the promotion of Grand Bahama [. . . .] The elder statesman of German banking flew to Freeport, Grand Bahama, last week where he spoke with Louis A. Chesler, president of the Grand Bahama Development Co Ltd. He considers the huge project "highly promising."<sup>26</sup>

Chesler, a Canadian property developer, was reputed to be the link that brought in Lansky and his associates.<sup>27</sup>

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<sup>26</sup> This report is from an undated newspaper cutting included in webpage that has a full discussion of how Hayward's domain was established and funded. See <<https://tinyurl.com/y5dpy4o8>> or <<https://bahamianology.com/stafford-sands-and-the-nazi-who-laid-out-the-vision-for-the-modern-bahamas/>>.

<sup>27</sup> These activities were the subject of enquiries by the FBI that were later exhibited in the US government's JFK assassination archive. See <<https://www.archives.gov/files/research/jfk/releases/docid-32291302.pdf>>.

The Hayward story – moving away from UK manufacturing to off-shore financial dealings – is effectively a microcosm of what would happen to so much of the UK economy post-1979. And, at the point he became the biggest donor to the Thorpe era Liberal party, this was the source of his money. He may not have known, in detail, the background of the other investors, but it seems unlikely that he was completely unaware: the local press in the Bahamas ran many stories through the 60s and 70s about Groves, Sands, Chesler and their associates. Presumably he was attracted to the Liberal party on the basis that they were often economically liberal (like him, though not so extreme) and thus not cut from the same ‘statist’ cloth as Wilson and Heath. His support for Thorpe may look Quixotic and muddled now, but in 1974 Thorpe actually came quite close to achieving political influence. Between February and October that year, the UK had a hung Parliament, the Liberals having won 14 seats on 19% of the vote. Had they won 2 or 3 more seats things might have turned out differently, with a coalition government, that included Thorpe, being assembled.

That didn’t happen, and Hayward began reducing his funding. Some of the later payments, made at Thorpe’s request for ‘election expenses’, were considered by the Police to have been used to pay the hitman who tried to kill Thorpe’s former gay lover Norman Scott. Hayward denied any knowledge of this and was later awarded £50,000 in libel damages after the *Sunday Telegraph* accused him of being the ‘paymaster’ in the alleged murder conspiracy.<sup>28</sup> After Thorpe was replaced by David Steel in 1976 (and particularly once the Lib-Lab pact was in force), Hayward divorced himself completely from any involvement with the Liberal party to concentrate on his business. By 1978 he had bought out the other shareholders in Freeport, Grand Bahama and was the sole owner.

His return to funding political parties via UKIP in the 1990s led to fresh media attention. In a 2003 *Financial Times* interview with Sathnam Sanghera he confirmed that supporting the Liberal party 20 years earlier had been ‘an absolute disaster’ and expanded on his own views:

‘I’m very pro-American, I think they’re a great nation – but I’m anti-French . . . . I’m also anti-German. Anti-all-Europeans actually [. . . .] Oh yes – if I had my way I’d form my own party far more right wing than Margaret Thatcher [. . . .] I’d bring back National Service, the Scaffold,

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<sup>28</sup> Reflecting on the who’s who of the Grand Bahama Port Authority, one is struck by how out of his depth Thorpe was in dealing with such people. (Perhaps the Scott hit should have been sub-contracted to Meyer Lansky?)

the Cat o' Nine Tails, the Empire – places like Sierra Leone and Nigeria were so much better off under British rule than they are now.'<sup>29</sup>

As an illustration of the political thread that connects Enoch Powell to the European Research Group via Nigel Farage, these comments could scarcely be bettered. Having failed, narrowly, to gain political influence in the 70s, Hayward's financial backing helped produce a significant bloc of UKIP MEPs in the 2004 and 2009 Euro-elections. This worried those on the traditional right and helped ensure that the balance of opinion (and power) within the Conservative Party gradually tilted from staying in the EU (with opt-outs) to quitting. Missing from his bluster, though, was any definition of what he would actually prefer as an alternative to what were then the UK's long-standing arrangements with the EU. Despite his hail-fellow-well-met front, ownership of Wolverhampton Wanderers FC and 'Union Jack' persona, Hayward – who like Farage was actually public school educated – gave away little. The same might be said, too, of the manifestos and documents issued by UKIP, and their anti-EU colleagues, the European Research Group.<sup>30</sup>

Reading them is not a particularly rewarding business. A mixture of assertions, inaccuracies and non-sequiturs, one could spend an awful lot of time debating their value. Unless, that is, one is of the view that their sole function is to mislead, to ensure that the ultimate destination to which the UK is being taken remains concealed for as long as possible. There is some evidence to suggest this. By virtue of their membership of the House of Commons, the MPS who make up the ERG were always in a better position to influence events than UKIP's MEPs. Observers have long pointed out that the real objectives sought by the ERG are often at odds with their publicly stated position. In a variation of this, their real objectives are announced as being compatible, retrospectively, with whatever they were stating publicly in the recent past. Thus, Daniel Hannan, a long serving Conservative MEP, gave the impression that the ERG wanted to mitigate the impact of EU regulations on parts of the UK's economy (i.e. a 'looser relationship' with Europe). He even confirmed in 2015, during an interview on Channel 4 News, that 'absolutely

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<sup>29</sup> <<https://www.sathnam.com/sir-jack-hayward/>>

<sup>30</sup> The European Research Group is funded by its MP members, who pay an annual subscription of £2,000 each, which they claim as an expense. The ERG is, therefore, taxpayer funded.

nobody is talking about threatening our place in the single market'.<sup>31</sup> In fact, Hannan's real view, admitted privately to his fellow MEP Edward MacMillan-Scott, was 'I don't want to do anything but get out of the European Union, and if possible, break the European Union up'.<sup>32</sup> Similarly, during the 2016 referendum campaign, the ERG quietly took no public position, but after the result they campaigned for leaving every facet of the EU.

## The future

The radical change in the UK's economic and political priorities since 2016 has already had significant consequences. *The Financial Times* (23 June 2020) quoted the Bank of America's Kamal Sharma that the pound, as a currency, was now comparable with the Mexican peso, concluding 'We believe sterling is in the process of evolving into a currency that resembles the underlying reality of the British economy: small and shrinking with a growing dual deficit problem similar to more liquid [emerging market] currencies.'<sup>33</sup> Which may be true: but even if the UK becomes nothing more than a conduit for money being shunted from one low tax domain to another low tax domain, we can rest assured that it will still claim membership of the G7 irrespective of the gradual impoverishment of most of its population and the shrinking of its true economic base. Because it is politically expedient to do so.

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<sup>31</sup> Hannan favours the UK imitating Singapore (which is only 0.3% the size of the UK), stating that Singapore's 1965 split from Malaysia was analogous to Brexit. His comment can be heard in the fifth minute of this six minute segment:

<<https://www.youtube.com/watch?v=zzykce4oxII>>.

In fact, both Singapore and Malaysia were and remained members of ASEAN along with Thailand and the Philippines, co-operating on economic growth, agriculture and industry. Indonesia joined the bloc in 1967 followed in the 90s by Vietnam, Laos and Myanmar. In February 2017 he wrote 'Singaporean levels of taxation are not a menace; they are a sensible growth strategy'. See <<https://tinyurl.com/y65a3gt3>> or <<https://www.conservativehome.com/thecolumnists/2017/02/daniel-hannan-a-singapore-style-economy-isnt-a-threat-its-a-growth-strategy.html>>.

Currently, Corporation Tax in Singapore is 17% (against 19% in the UK) and personal tax levels for high earners are set at 22% (against 47% in the UK). Qui bono?

<sup>32</sup> Hannan is quoted as saying this in Peter Geoghegan's *Democracy for Sale* (London: Head of Zeus, 2020) p. 104

Note too that Nigel Farage told Michel Barnier in 2016, 'when Brexit happens, the EU will no longer exist!' I.e. that Brexit would be carried out in such a way as to destroy the EU. See *The New European*, 3 September 2020. <<https://tinyurl.com/y5nu3t5h>> or <<https://www.theneweuropean.co.uk/top-stories/michel-barnier-says-britain-s-brexit-tactics-left-him-flabbergasted-1-6820303>> Michel Barnier was the Commissioner who brought forward the EU legislation to regulate hedge funds in 2010

<sup>33</sup> <<https://www.ft.com/content/4fd04fd9-7209-4b7c-97a1-97466f226159>>

So, are we heading at some speed into a future as the largest tax haven in the world, whilst remaining – because of the volume of money passing through the City of London – the 5th, 6th or 7th biggest economy in the world?

*Simon Matthews' book, Looking for a New England – UK Film, TV and Music 1975-1986, will be published by Oldcastle Books in 2021.*