You get the report you pay for

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An advertorial (or 'partner content' if you will) article on the PoliticsHome website dated 11 October 2022 reported in gushing terms on a reception held by the All-Party Parliamentary Group (APPG) on the Channel Islands.[1] The reception celebrated the astonishing contribution Jersey allegedly makes to the UK economy; indeed the global economy, too, according to a report, 'Jersey's Contribution to Global Value Chains', produced in November 2021 by the Centre for Economic and Business Research (CEBR)[2]. One could be forgiven for thinking it was commissioned in response to the growing condemnation of tax havens, from the European Parliament calling for Jersey to be blacklisted[3] (the Netherlands having already taken that action[4]), to President Biden making progress towards an international agreement on introducing a global minimum

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1 <https://tinyurl.com/294z4ebc> or <https://www.politicshome.com/members/article/how-jersey-adds-value-to-the-global-economy-83760>

2 <https://tinyurl.com/ymrs6djy> or <https://www.jerseyfinance.je/our-work/jerseys-contribution-to-global-value-chains/?utm_medium=referral&activation=1>

The CEBR may sound like a think tank, but it is merely a business consultancy – indeed it is almost a family business consultancy, founded by Oxford economist Douglas McWilliams in 1992. McWilliams is Deputy Chairman, having previously been Chairman – he was effectively demoted in 2014 after he was videoed taking crack cocaine and was accused of assaulting a prostitute – but not charged for lack of evidence. (<https://tinyurl.com/ytbbtdhd> or <https://www.mirror.co.uk/news/uk-news/douglas-mcwilliams-government-adviser-facing-5266096>) His father, Sir Francis, a former Lord Mayor of the City of London, was CEBR's founding Chairman. He was in the news when he was aged 89 for being found guilty of a drink/driving offence outside the Bank of England at 2.30am and banned from driving for 12 months. (<https://tinyurl.com/ymrncch3> or <https://www.standard.co.uk/news/london/exlord-mayor-of-london-caught-drinkdriving-at-2-30am-10138404.html>) McWilliams' wife Ianthe is an executive director and his brother Michael is a board member and Chief Energy Advisor. Also on the team as a board member is Vicky Price, former wife of Chris Huhne, former Liberal Democrat MP and energy and climate change Cabinet Minister. (<https://cebr.com/about-cebr/our-team/>) In news reports of McWilliams' crack cocaine 'fall from grace' he is often referred to as an advisor to George Osborne, the former UK Chancellor. But at the time CEBR was at pains to point out that they had advised 'all four UK political parties' and hadn't spoken with Osborne while he was Chancellor.

3 <https://tinyurl.com/mr297re7> or <https://www.europarl.europa.eu/news/en/press-room/20210114IPR95631/eu-tax-haven-blacklist-is-not-catching-the-worst-offenders>

4 <https://tinyurl.com/4ymwcsvv> or <https://www.itv.com/news/channel/2019-01-02/jersey-and-guernsey-added-to-tax-evasion-blacklist>

corporation tax rate of 15% (after originally suggesting it should be 21%).[5]

The reception was addressed by Joe Moynihan, Chief Executive of Jersey Finance, which commissioned the report. He claimed it quantified 'the value Jersey's financial sector *adds* to the UK economy and to global economies.' He said 'Jersey's combined financial sector manages and services a total of £1.44 trillion. This *supports* more than £170bn of global GDP each year, *sustains* 5.1 million jobs worldwide, and *supports* more than £73bn in associated wages of ordinary people in all corners of the globe.' Moynihan went on to say that 'Jersey's financial sector *generated* £62bn in UK GDP each year and *supported* almost a million UK jobs.' (emphases added) In other words, Jersey's financial sector plays a key and very positive role in the UK economy. In post-Brexit Britain, 'having a leading global financial centre on the nation's doorstep will be an increasingly important asset, helping spread wealth and growth across the UK as a whole', trills the advertorial, neatly addressing the Conservative government's shaky, if not calamitous, relationship with 'growth' and 'levelling up.'

How then does the CEBR report substantiate these claims? If one could sum it up in one sentence, one might conclude that simply 'moving money around creates wealth and jobs.' Often in the report it is stated that Jersey's function as a finance conduit is the secret to unlocking all these benefits. Thus any pound (or more accurately, any Asset Under Management – AUM) sat in a Jersey bank, fund or trust has a dynamic money-making capacity just by sitting there. That AUM adds, supports, generates and sustains – all in one go!

Much outside attention highlights Jersey's 0% corporation tax rate, with the clear implication that such a rate invites tax avoidance (or evasion) by people or companies moving their assets to Jersey. Thus when Apple shifted some of its business from Ireland to Jersey in 2014, it was accused of seeking to avoid tax (and Ireland is already a corporate tax haven which opposes Biden's 15% global rate – theirs is 12.5%).[6] One of the corporate legal firms that assisted Apple's search for a new haven was Appleby, of whom a great deal was written after a massive hack or leak of their data became known as the Paradise Papers. Appleby is cited approvingly in the CEBR report as one of the 'offshore magic circle' of law firms. (p. 54)

As the CEBR report makes clear, the lion's share of the £1.4 trillion that

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5 <https://tinyurl.com/yukbxwvf> or <https://www.bailiwickexpress.com/jsy/news/chief-minister-hits-out-president-over-global-tax-reform-demands/#.Y0q_NdfMLrd>

6 <https://tinyurl.com/mr3khxz6> or <https://www.theguardian.com/news/2017/nov/06/apple-secretly-moved-jersey-ireland-tax-row-paradise-papers>

Jersey manages is not located in its banking and funds sectors, but in trusts and other Asset Holding Vehicles (AHVs). The CEBR report states that in 2020 the value of these categories amounted to £1.14 trillion – almost 80% of the total (p. 46). In contrast, the report states that money in the funds under management sector amounts to £282.1 billion (p. 27) and deposits in banks amount to £131 billion. (p. 41)

The CEBR research suggests that it was far easier to track money in the latter two categories than in Trusts and AHVs. This, I think, is where the fabulous claims of the Jersey financial authorities fall apart. The very fact that Jersey's secrecy rules covers Trusts and AHVs makes it impossible by definition to show with any certainty what happens to the assets they contain. The CEBR report's authors are forced to make a number of assumptions, and those assumptions may be clouded by the fact that their client – Jersey Finance – wants to paint a rosy picture. For instance, the report appears to claim that each AUM's unit of value is as equally productive as any other. This, of course, is manifest nonsense. Units of AUM held in a Jersey trust by say the Duke of Westminster – perhaps a property in Belgravia – will contribute no more to UK GDP than if it was managed by a bank in Belfast. The big difference is that when the current Duke pops his clogs, his beneficiaries won't be inconvenienced by inheritance tax and this can be seen as a negative contribution to GDP. The property will still be there, earning its crust, but the opportunity cost to GDP of avoided tax will be felt with reduced tax funded expenditure on essential (GDP supporting) infrastructure – upon some of which that house in Belgravia relies.

The CEBR report paints a different picture. It provides a 'Hypothetical Value Chain Illustration.' Two illustrations are actually made – one featuring a UK-based trust settlor who transfers their UK asset to a Jersey-based trust on behalf of a European relative. The language of the report tells its own story:

> The interpretation of this, in terms of the role of the Jersey trust in Global Value Chains, is slightly more nuanced than for the banking or fund administration sectors, where the asset flows intermediated in Jersey are more tangible. However, in our example here, there is an implicit (future) transfer of capital from the UK to the rest of Europe. (p. 51)

There are a lot of caveats there but the biggest one follows. The report suggests that the hypothetical beneficiary of the Jersey trust might, *just in the knowledge of it*, then increase their consumer spending. This then is the great bonus for the value chain. The other example suggests somebody in a developing (read politically unstable) economy might want to protect their assets, whilst still using those assets in support of their activities in their country. At no point does the report question whether such assets might be illicitly extracted from the developing country's economy, thus robbing some or all of its potential to maximise its Global Value Chain.

In fact the report makes no mention of tax avoidance or evasion, illicit assets, or money laundering. Drug cartels have Global Value Chains too, and perhaps the unintended point here is that they should be recognised as a valuable part of the overall economy.[7] If GDP value can be extracted from the consequences of car crashes or war, why not include illegal activities?

Finally, to give the report academic heft, its authors have included an appendix which implies that the whole thing is underpinned by the Solow 'macroeconomic model of long-term growth theory operating under the framework of neoclassical economics'. (p. 67) This is an economic formula which purports to show the relationship between capital, labour and technology in creating GDP growth. I am not an economist, so I cannot say to what degree this longstanding theory (dating from 1957) would uphold the CEBR report's proposition. Suffice it to say I doubt very much whether Robert Solow was suggesting that tax havens, money laundrettes and illicit funds should be categorised as standard contributors to GDP growth. I am not alone. A letter signed by 300 economists, co-ordinated by Oxfam in 2016, addressed to world leaders prior to a UK-held anti-corruption summit, said:

> The existence of tax havens does not add to overall global wealth or well-being; they serve no useful economic purpose. Whilst these jurisdictions undoubtedly benefit some rich individuals and multinational corporations, this benefit is at the expense of others, and they therefore serve to increase inequality.
>
> As the Panama Papers and other recent exposés have revealed, the secrecy provided by tax havens fuels corruption and undermines countries' ability to collect their fair share of taxes. While all countries are hit by tax dodging, poor countries are proportionately the biggest losers, missing out on at least $170bn of taxes annually as a result.[8]

It must be a matter of regret that the CEBR report was allowed to gain a foothold in the UK parliament. It has also no doubt been touted around HM

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7 <https://tinyurl.com/mrxyt55t> or <https://www.theguardian.com/business/2014/jun/10/accounting-drugs-prostitution-uk-economy-gdp-eu-rules>

8 <https://tinyurl.com/4h69zc7z> or <https://oxfamapps.org/media/press_release/2016-05-300-economists-tell-world-leaders-tax-havens-serve-no-useful-economic-purpose/>

Treasury and other circles in order to help ward off further curtailments of Jersey's malign practices. For our millionaires in government, it no doubt provides some cover for slowing or even preventing the reforms that are so urgently needed. One assumes, of course, that no-one in our current government has any personal financial interest in the matter.

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