

# Cayman: a lopsided economy will always crash

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The [Guardian's editorial](#) this morning picks up the Cayman theme. Normally I won't reproduce whole stories for copyright reasons, but since I gave them this exclusive I trust they'll forgive me:

*Gustav, Ivan, Paloma: the [Cayman Islands](#) have withstood many a hurricane. Now, however, it faces the perfect storm: Hurricane Lehman. This one has been brewing since September last year, when America's [Lehman Brothers went belly-up](#) and brought the global banking crisis to its climax. The Cayman Islands relies for income on financial services and tourism, so it has suffered terribly ever since. And now the country, home to trillions of dollars of assets held by hedge funds and multinational businesses, has run out of cash.*

A budget black hole means that civil servants are no longer getting all their pay and the government is considering imposing new taxes on islanders. First, though, it is trying to raise emergency funds from banks. To do so, the British overseas territory needs to gain permission from their ultimate masters at Westminster. [And there lies the rub.](#) Writing to the Cayman government's leader last week, Chris Bryant declined the request, and pointed out that the islands' entire business model was bust. That is a sound judgment: the US and other economies remain weak, hedge funds and the rest of the financial services industry are still getting over the worst market crisis in decades, and secretive tax havens such as the Caymans are under pressure from the OECD and the G20 group of rich countries to become more transparent. The same diagnosis surely applies to Jersey, Guernsey and the Isle of Man. As Mr Bryant says: "It would be unwise ... to expect that the Cayman Islands' prosperity can presume on an offshore tax haven status."

The palpable relish in that sentence is surely no accident. For those like The Guardian who want a more [open and fairer tax system](#), this is a moment rich with possibilities. Not only is pressure building on the G20 leaders to tackle tax dodgers, but the world's boltholes for the rich are finally learning that tax avoidance does not pay. As more British dependencies have to call on ministers for assistance, Westminster can demand they clean their act up.

Let ministers start with the Caymans. As a condition for acceding to another loan, they can demand that the islands' government institutes automatic exchange of tax information with all countries, rich and poor alike. They can also request that no taxes are introduced that hit the Caymans' poor while letting off the wealthy. The Cayman government should not tax money sent home by relatively hard-up immigrants, for example. Finally, Westminster needs to work with the Caymans on making its economy less reliant on passing cruise ships and fly-by-night financiers. As the UK government also knows, a lopsided economy will always eventually crash.

I'm delighted to see they have picked up themes from this blog.

And that they have realised this is an issue for Jersey, Guernsey and the Isle of Man as well.

Is this a tipping point? I genuinely don't know. But I do hope so.