Funding the Future

Jersey's budget fantasy depends on local people subsidi...

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It was budget day in Jersey this week and I could not help but take a quick look. I found something even more bizarre than I expected. This is the overall budget forecast:

So, Jersey will apparently get out of its black hole in about five years time. That, of course, was George Osborne's perpetual story about the UK deficit as well. And just as the UK found this is not going to happen. How do I know? I think two other graphs tell the story. First there is this on Gross Value Added (the Jersey equivalent of GDP):Which is another way of expressing a part of this (form the 2016 budget):

Both GVA trends make clear that the Jersey economy is in a long term downward period of decline, the run up to the global financial crisis of 2008 and the 2014 -15 years apart, which are now seen as aberrational. Despite this table 35 of the current budget shows that the economy will not now shrink, which is quite extraordinary given long term trends, the oddities of 2014 and 2015 which Jersey does not expect to be repeated, the global economy, Brexit and other major uncertainties. I may be wrong, but that really looks optimistic.

But it is not as plainly odd as another characteristic of the budget which is in this table:

So, let's be clear: there is no growth and there is no inflation. Almost every tax revenue line flat lines as a result, bar one. This is personal income tax. This grows at rates of up to 5.5% per annum. In addition, from 2018 additional revenue raising measures are put in place.

The growth in income tax revenues cannot come from growth, because there isn't any. And it can't come from inflation, because there is almost none. In that case they can only come from increasing taxes.

The message of this year's Jersey budget is very clear: the people of Jersey are to pay more tax so that it can survive as a tax haven. They are going to be asked to, in effect, subsidise the tax cheats who use the place. And unless the people of Jersey learn to start voting, for the first time in decades, against the finance industry's nominee's who form its government there is nothing they can do to stop this.

Will they? They just might given these supposed tax increases.

They might do so even more readily when the assumption of zero growth turns out to be wildly optimistic in a place where long term decline is the actual trend.

Jersey's plan to get rid of its black hole is far from viable. And the biggest threat of all will come when the people of Jersey have had enough of it.