Funding the Future

Tax havens: what really happens behind closed doors?

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What really happens inside a tax haven?

John Christensen knows because he was there. As Jersey's Head of the Government Economic Service, he witnessed first-hand how political power, financial interests and official secrecy combined to protect wrongdoing. Eventually he decided to expose what he had discovered, beginning a journey that helped shape the global tax justice movement.

In this podcast we discuss whistleblowing, corruption, the culture of secrecy, and why offshore finance has always been about far more than tax. We explain why the City of London remains central to the offshore system, how international institutions enabled it, and why many of the underlying political attitudes remain remarkably unchanged today.

We also discuss the political economy behind offshore finance. Why do secrecy jurisdictions exist? How much responsibility lies with places like Jersey, and how much with the City of London? What role have governments, banks, auditors and international institutions played in sustaining the offshore system? And have things really changed over the last thirty years?

We also reflect on the creation of the Tax Justice Network, the reforms that have been achieved, including automatic information exchange and country-by-country reporting, and the challenges that remain. We also look ahead to our next conversation on *The Finance Curse* documentary and why Britain's economic model still depends too heavily on financial engineering rather than productive investment.

If you care about tax justice, democracy, financial secrecy and how power really operates, this conversation provides a rare insider's account.

https://www.youtube.com/watch?v=uh2ZUcYOovg?si=SFzJfJuJEinEXjuT

This is the audio version:

https://www.podbean.com/player-v2/?i=7u4gr-1b2578f-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

There is no Debate Ammunition for this video.

There is no transcript either, but this is my summary:

John Christensen and I go back a long way. He is the man who introduced me to Jersey, the person with whom I co-founded the Tax Justice Network, of which he became director and I became research director, and who, by his own account in a forthcoming book, blew the whistle on an establishment cover-up in offshore finance. In this podcast, we discuss where that story began, what it tells us about where we still are, and where we need to go.

The Jersey Scandal

John's chapter, ***Diary of a Traitor***, appears in ***Whistleblowers: Voices of Justice***, a collection of essays by jurists and lawyers edited by Italian legal scholar Costantino Grasso, due from Springer in September. The book argues that, in an age of captive media, compliant auditors, and docile politicians, whistleblowers have become more essential, not less. John's contribution, which I have read, recounts his own experience as a whistleblower and the costs involved.

In January 1996, John was head of the government economic service in Jersey. A late-evening call from ***Wall Street Journal*** journalist Michael Sesit changed everything. Sesit was investigating a fraud involving UBS's Jersey subsidiary, Cantrade Bank, and a currency trader named Robert Young, who had defrauded retired savers of their life savings. At every turn, he said, investigations had been blocked by Colin Powell, Jersey's chief civil servant, and by senior politicians.

John went in early the next morning and checked the files. Everything stacked up. The predecessor to the UK's Financial Services Authority, when John called that morning, told him within two hours that Young was a known fraudster. Despite that, Colin Powell had signed off on Young's licence to operate and his housing consent without the most basic due diligence. Ordinarily, that would have crossed John's desk. It had been kept from him.

The eventual outcome was that Cantrade Bank pleaded guilty to four counts of criminal recklessness, two people went to prison, including a senior auditor, which is almost without precedent. But the establishment never asked the question it should have asked: how had Jersey's much-publicised defences been breached? The answer was that they had been breached by the people at the very top.

John's decision to work with the ***Wall Street Journal*** was, in effect, a resignation. He stayed for another eighteen months, during which the authorities tried to search his home and impound his papers. The message to other potential whistleblowers was plain: look what happened to John Christensen.

Colin Powell and the Ideology Behind the Haven

Colin Powell was not simply involved in this affair opportunistically. His commitment to tax havens, or secrecy jurisdictions as John and I prefer to call them, was ideological. He was associated with the Institute of Economic Affairs, a right-wing libertarian think tank, and his view of democracy was that it existed to protect the interests of elites from the majority. It was the majority that he mistrusted.

Powell designed much of offshore Jersey's legal architecture, including company and trust law, and chaired the Offshore Banking Supervisors' Group, which had carved out a separate space for offshore activity outside the Basel regulatory framework. His argument, which he maintained to the end, was that if governments demanded unreasonable amounts of tax from people, assisting them to avoid their obligations was not wrong.

What John found in those files in 1996 was not a failure of regulation. It was regulation perverted by the people responsible for it. Jersey had marketed itself as a clean jurisdiction with robust defences. Those defences had been dismantled from within by Powell and the politicians who shared his worldview. John lost his naivety about Jersey that morning. Eventually, Powell lost his too. When John and Naomi Fowler interviewed him shortly before his death, he had become disillusioned with the libertarian ideas he had once championed.

Thirty Years On: What Has and Has Not Changed

Has it changed? John's answer is that it has and it has not.

On transparency, the short answer is that almost nothing has changed. Jersey still discloses no accounting information on companies registered there, no data on beneficial ownership, and nothing about trusts. It has improved slightly on the Financial Secrecy Index, but it remains substantially secretive. John is currently involved in an investigation in which the island's authorities are again refusing to cooperate, creating substantial barriers to the inquiry.

What did change, particularly after the 2008 financial crisis, was the international political context. The Tax Justice Network's work on automatic information exchange and country-by-country reporting gained traction at G20 and OECD level. The European Union began moving forward with measures that would have put real pressure on the tax avoidance industry. The result was, as John argues, and I think he is right, that Brexit was partly a response to precisely that. The City of London's chancers, grifters, and tax avoidance advisers, not to mention their tens of thousands of wealthy and politically connected clients, were not going to allow those EU reforms to proceed. The rise of nationalist populism across Britain and beyond is, in part, the political economy of a class fighting to protect its extraction model, which lies at the heart of global capitalism.

The City of London Is the Problem

The most important part of our conversation, and the point that I think we did not emphasise enough in the early years of the Tax Justice Network, is that the offshore architecture is not really about Jersey. It is about London.

The secrecy jurisdictions, including Jersey, Guernsey, the Isle of Man, Cayman, the British Virgin Islands, and the rest, could not operate without the active support of the UK government. Nor could they function without a small number of international banks and the four major audit firms, all major London operators, who put their rubber stamps on the whole structure and declare it legitimate.

The aim of all this is the extraction of value. If Manchester is poor, it is because London is rich and extracting value from it. In that context, foreign direct investment in Manchester real estate over recent decades has created a few construction jobs and then, for decades afterwards, channelled rents offshore. That is a model based on extraction. It is not a development strategy.

John made the point directly: if this is the case, we need to persuade political leaders, including Andy Burnham, that what was done to Manchester is not a model to be copied. Britain has built an economy on financial engineering rather than product engineering. The consequences of that are visible everywhere outside London.

New Threats and the Finance Curse

John also raised an issue that we were not fully grappling with in 2003: cryptocurrencies and the offshore holding of assets through digital means. It is now clear that these are being used as vehicles for political funding, as recent revelations about the Reform Party illustrate. The enabling class is fighting hard to protect their power and privilege.

We also agreed that the Tax Justice Network, after both of us had moved on, did not find its next role. While we were involved, it identified policy measures and, in many cases, pursued them successfully. It did not, however, make the transition to tackling the bigger structural questions about what financial capitalism has done to Britain and to other countries that have embraced it at the expense of productive activity. That is the issue that John's forthcoming film, ***The Finance Curse***, addresses. It is now in post-production, the lawyers have cleared it, and John is aiming for a September release. We will discuss it in our next podcast and use it as the basis for a conversation about where people who share these concerns should now direct their energy.