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# Northern Rock's missing Granite

by John McDonnell

I think that I was the first MP to call for the nationalisation of Northern Rock, although that is hardly surprising because I have been calling for the nationalisation of the financial sector for 30 years or more. Yet at last night's debate on the bill to nationalise, I noticed a gaping hole in the scope of this legislation.

When Northern Rock was in trouble last autumn, tax researchers like [Richard Murphy](#) exposed the array of special investment vehicles, special purpose vehicles, offshore trusts and other exotic financial models that were used by all banks to dodge tax, hide liabilities and generally use every trick in the book to maximise profit in the short term.

One series of offshore trusts associated with Northern Rock were called Granite (presumably a witty pun on the Rock bank). Granite holds approximately 40% of Northern Rock's assets, around £40bn. Yesterday, the Treasury minister told the house that "Granite is and has always been a separate legal entity".

Let's look at that: Northern Rock does not own Granite, that's true. It is however, wholly responsible for it: it's officially "on" its balance sheet in its accounts. But it is legally "off" its balance sheet when it comes to getting hold of its assets as the basis for the security of the sums owed the Treasury.

Granite is based in Jersey, an offshore tax haven where Northern Rock's best assets sit outside the reach of taxpayers. So the bill to nationalise Northern Rock will, in fact, be nationalising only dodgy debt, which will increase the burden on the taxpayer and put at risk the jobs of Northern Rock workers. The sad truth is that by failing to regulate the financial sector adequately, the government has been hoist by its own neoliberal petard. The participants in this tax dodge will be allowed to walk away with millions, when workers may lose their jobs and the taxpayer risk billions.

People will be asking, "how can the government have got us into this state of affairs?" the answer is that a dogmatic belief in markets has become government policy. New Labour has deregulated, liberalised and privatised - but every time the private sector fails it is the taxpayer who pays.

Northern Rock is not an epoch shift back to old Labour, but a continuation of New Labour's failed market experiment: we part-privatised the tube, it failed, and the taxpayer is currently picking up a Â£2bn bill; the nuclear industry was bailed out by the taxpayer a few years ago when British Energy disintegrated, and we nationalised nuclear waste (the unprofitable bit), which will cost the taxpayer Â£75bn; and now Northern Rock.

I made the case for public ownership in *Another World is Possible* - a manifesto for 21st-century socialism - as it is the most rational approach for managing resources in the long-term interest of the entire community. In the absence of that, we need strong regulation - and in the absence of that, we will continue to use public money to bail out private failure.

John McDonnell has written a manifesto for 21st Century socialism - **"Another World Is Possible"**

The book costs just **£2.50** including postage and packaging. The book is 64 pages, paperback and is approximately CD-sized.