

2015.06.23

5.1 Deputy G.P. Southern of St. Helier of the Chief Minister regarding economic growth:

When promoting economic growth, what attention, if any, has the Chief Minister given in proposals for the Medium-Term Financial Plan and Budget 2016 to the evidence from International Monetary Fund discussion note SDN/15/13 and elsewhere that increasing the income share of the top 20 per cent decreases G.D.P. (gross domestic product) growth while increasing the income share of the bottom 20 per cent promotes higher G.D.P. growth?

Senator I.J. Gorst (The Chief Minister):

I will just apologise in advance that my opening answer is slightly longer than normal. It is important to recognise that such discussion notes represent the views of the authors and do not necessarily represent I.M.F. (International Monetary Fund) views or I.M.F. policy and we should understand what the authors say about why widening income disparities would matter for growth. They say higher inequality lowers growth by depriving the ability of lower-income households to stay healthy and accumulate physical and human capital and that it can lead to under-investment in education as poor children end up in lower-quality schools and are less able to go on to college. This would appear to validate the focus in the Strategic Plan and the next M.T.F.P. (Medium-Term Financial Plan) on investing in health and education. The paper also explains that growth policies can be more inclusive if they focus on encouraging innovation, removing barriers that stifle competition and technology diffusion and move goods produced upwards in the value chain.

[9:45]

These are areas we have already identified as priorities in our Strategic Plan.

5.1.1 Deputy G.P. Southern:

While it is the case that this is only a discussion paper and represents the views of the contributors, nonetheless the Chief Executive Officer of the I.M.F. has joined in with this sentiment and has stated over the weekend that poor and middle-class households have come to realise that hard work and determination may not be enough to keep them afloat, contradicting the adage that a rising tide floats all boats. What measures specifically in the M.T.F.P. and Budget plans for 2016 does the Chief Minister have to promote growth?

Senator I.J. Gorst:

I do not think it is going to be useful if we have a debate across this Assembly about particular sentences in a particular document or a sentence given by a senior official. If we take the approach in the round, it is why I gave a slightly longer answer because there are underlying issues that policy-makers and we, as a government, are cognisant of and that is because people stop being able to afford and access appropriate health care and sufficient investment is not put into education. They are things that this Government is determined to address, unlike other governments around the world.

5.1.2 Deputy G.P. Southern:

Would the Chief Minister mind awfully answering the question? What measures do you have in the M.T.F.P. to promote growth?

Senator I.J. Gorst:

We continue to promote growth; we continue to support financial services. The Members opposite do not seem to agree with that approach but when we see the average earnings of people in that industry, they are dealing with exactly the issues that the questioner is asking about and, yet, on the other hand, he does not seem to support it. We have had a new Financial Services Strategy, we are maintaining the investment in the financial services section of the Chief Minister's Department. We are delivering on the policy suggestions of the jurisdictional review; we are supporting

technology and Digital Jersey and Jersey Finance. We are continuing to support the work of the External Relations Department. Many, many policies we are continuing to support and are being successful because in the labour force, rather than jobs falling in that sector, we have seen growth of 400 over the period of the last year.

5.1.3 Deputy S.Y. Mézec of St. Helier:

In reference to the Chief Minister's first answer, while it is the case that the I.M.F. paper will validate his Government's position on increasing funding and investment in health and education, would he agree that it invalidates his Government's position on introducing a waste disposal charge and a health charge?

Senator I.J. Gorst:

Not at all, no.

5.1.4 Deputy M. Tadier of St. Brelade:

Of course we have already realised that the way to invest in education and health goes through regressive charges rather than progressive taxation which is only to be expected from this type of Council of Ministers. But does the Chief Minister also accept the conclusions of the discussion paper which state that the redistributive role of fiscal policy could be reinforced by greater reliance on wealth and property taxes and more progressive income taxation and, if so, will he incorporate such measures in the 2016 Budget?

Senator I.J. Gorst:

The questioner sometimes makes a statement in his question which then is perceived as fact. He knows very well that decisions have not yet been made on how we are going to have the conversation with the public and how we are going to all decide to pay more for our appropriate health care into the future. So he is asking a question which is not based on fact yet because this Assembly will ultimately decide. When it comes to property taxes, I seem to remember that the Members opposite, when the previous Minister produced an excellent discussion document on the possibility of property tax changes and re-evaluations and extracting appropriate sums from that arena, I am not sure that the Members opposite supported that. It was an excellent document and I know that the current Minister is going to continue to work on it and bring some proposals forward in that regard. We continue to have some of the highest thresholds before people start to pay income tax so I do not accept the comments of the questioner in that regard either.

5.1.5 Deputy G.P. Southern:

Returning to the core of the question and the paper which states that increasing the income share of the bottom 20 per cent promotes higher G.D.P. growth, why then, if that is the case, does the Chief Minister propose to cut support to the poorest in our society by cutting benefits as proposed by his Social Security Department?

Senator I.J. Gorst:

If we look at some of the work that came out of the work that was undertaken to look at the possibility of the introduction of a living wage, we will perhaps draw some conclusions from the benefit levels coupled with work that needs to review and support the work that the Minister will be doing in that regard. The Deputy keeps wanting to talk about growth and inequality in the abstract. That is not how we should deal with it. We should look at why is inequality concerning this discussion document and it is exactly the reasons that I said in my opening answer: because it will lead to under-investment in education and under-investment in healthcare, neither of which are what we are proposing as this Government. In actual fact, the reverse.