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5.6 Deputy G.P. Southern of the Chief Minister regarding the impact of the finance sector on economic growth:

We move from one set of experts, the I.M.F., to another, the O.E.C.D. (Organisation for Economic Co-operation and Development). Does the Chief Minister accept the conclusions of Catherine Mann, O.E.C.D. Chief Economist, that jurisdictions with bigger banking sectors suffer weaker growth and worse inequality, and what impact, if any, does her statement that: "There can be too much finance. When the finance sector is well developed ... further increases in its size usually slow long-term growth"? What effect does that have upon plans for growth in the Medium-Term Financial Plan?

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

Could I ask my Assistant Minister with responsibility for financial services to answer this please?

Deputy G.P. Southern:

I always address my questions to Ministers rather than Assistant Ministers. I do not understand why this is delegated.

The Deputy Bailiff:

Deputy Southern, Standing Orders provide that if you require a question to be answered by a specific Minister you have to say so at the time that the question is lodged.

Senator P.F.C. Ozouf (Assistant Chief Minister - rapporteur):

I am very grateful to be able to answer a question, and I take this opportunity to thank Members for all of their kind words in my recent illness. Members can see that I am hopefully back on reasonable form or at least getting there. So turning to the answer. I am pleased to answer this question because it is an important question. It is the third question being asked this morning that takes conclusions of a report from the O.E.C.D. or I.M.F. and seeks to extrapolate those reports to justify or at least criticise the actions of the Council of Ministers. Now this O.E.C.D. report, *Finance and Inclusive Growth*, which I have read, seeks to make observations about domestic financial services markets and how they are run, and particularly the functioning of the domestic credit markets and how those can impact on equality and long-term growth within those domestic economies. The questioner is seeking to link those observations, which are no doubt extremely good for domestic markets, to effectively what Jersey does in their exports service market, and the 2 things are completely different. The O.E.C.D. conclude that high levels of domestic personal credit and domestic corporate lending are ways that the finance sector might contribute to widening inequality. Well, that is probably right for a domestic economy but it has got nothing to do with the facts of what we could do in Jersey in terms of financial services. The only thing that is relevant is the report does say that the finance sector pays a high level of wages compared to other sectors. Therefore it would be right to say that that is true and that the personal tax collected from our financial export financial services market does maintain public services, helps to fund planned investment in health, education and infrastructure projects, and these go along to reduce inequality as opposed to the contrary.

5.6.1 Deputy G.P. Southern:

The Council of Ministers seem to be dependent on growth in the financial sector. Has the Chief Minister or his Assistant Minister any concrete evidence that the finance sector is out of recession and, if so, would further growth hold back recovery in other sectors?

Senator P.F.C. Ozouf:

You have allowed a supplementary question, Sir, but I am struggling to see how that relates to the original question because it is about a report from the O.E.C.D. If Deputy Southern is agreeing and

now sees the error of linking observations and good observations by the O.E.C.D. about the functioning of domestic financial services credit markets and financial services then clearly we have achieved something. In terms of growth: yes, the Council of Ministers is absolutely determined to continue and to expand good quality export services of which financial services is one aspect of it, because doing that will increase incomes, give opportunities for a wider group of people to improve themselves, get social mobility and, more importantly, fund the very social investment that the Council of Ministers is so determined to do in terms of health investment, education and at least limiting the burden of taxation on providing those things. The Jersey model, as I discussed repeatedly in my recent trip at the World Economic Forum, is a model which many other people look up to.

5.6.2 Deputy G.P. Southern:

Would the Assistant Minister please try and address the question in the supplementary which is perfectly appropriate? Has the Assistant Minister any concrete evidence that the financial sector is growing?

Senator P.F.C. Ozouf:

The finance sector I think is clearly growing. The evidence of the recent Business Tendency Surveys indicate that there is an improvement in optimism in financial services. We are seeing the very debates that this Assembly has had in relation to new tenants seeking to consolidate their operations, take additional space, all of the work that I have been doing in recent weeks to growing the footprint of the financial services indicates that it is growing. But of course the world, as we are seeing last night with the Greek arrangements, continues to be on a precarious situation in terms of growth but the good news is of course we are not dependent increasingly on that European market because we are seeking to grow our international financial services and business and professional services in areas such as the Middle East, in the growing areas of Africa and in the Far East. So yes, we are seeing growth but we must work hard to continue to make sure it happens, and sending messages of non-confidence or saying that somehow we do not want a big export financial services and business and professional services market is going to be completely counteractive to the very issues that the Deputy is trying to do. He is shaking his head but I do not understand why.

5.6.3 Deputy M. Tadier:

The issue that we have is that when we hear the Senator use the words like “clearly”, “absolutely” and “categorically” followed by a statement it turns out to be that those statements turn out not to be correct. So one can be forgiven for believing why, when he says that clearly the banking sector is growing and the evidence is that it is not growing, one has difficulty in knowing which premise to believe. So is the Senator basically saying that he bases his financial projections for the future for the industry on blind optimism insofar as if we want to grow the industry, for example, we can build an office block for finance and that will be sufficient and contribute and perhaps we could also do the same for tourism to build a hotel, and then S.o.J.D.C. build a hotel and then tourism will be okay? Or is it valid for us as parliamentarians to suggest that there is a decline in finance and it is for this Assembly to manage that decline into the future?

Senator P.F.C. Ozouf:

Point of order, I think that the Deputy almost strayed into casting aspersions on to the honesty of my answers in this Assembly. I would ask you to consider whether or not he should withdraw such a potential allegation or at least confirm that he was not saying that I simply do not tell this Assembly the truth.

The Deputy Bailiff:

No, Senator, I was listening very carefully to the way the Deputy put his questions. I did not detect in those questions, although it may be felt that they sailed quite close to any suggestion that you

deliberately misled the Assembly or mislead the Assembly in any way at all, and consequently I do not think there is anything to ask.

Senator P.F.C. Ozouf:

Thank you for that, I think that is very helpful. It certainly came very close to the wind. I am interested in growing the export services economy for the benefit of all Islanders. That is the responsibility that the Chief Minister has asked me to discharge, together with himself, in close working with other Ministers, Treasury and Economic Development. That is what we are doing. Indeed we are increasingly seeing that Jersey's standing in terms of what we do in financial and professional services is held up as a model. For example, the Island's approach in relation to central registries and regulating financial services business company providers is held up as a model to deal with many of the issues of tax evasion, corruption and other things around the world. That narrative which Jersey has, of which I was privileged to be able to explain to various audiences across Africa in recent weeks, was extremely well received by some pretty discerning individuals and I hope that that confident response to this African roadshow, which was held at the same time as the Middle Eastern roadshow, which is seeing good and profitable interest in Jersey professional services, should give the Deputy some confidence that Ministers know what they are doing and are believed in terms of what we are doing. We are held in the highest regard by many international agencies and many international commenters, including the O.E.C.D. that think that we are doing a good thing and we do good services in many of the work that we do.

5.6.4 Deputy M. Tadier:

Ultimately I think it is all related. Given the fact that so much time and energy and financial resources are diverted to the financial services industry, and I am not saying that is wrong. It is a key and big industry. Is it not also correct that in times of austerity the higher earners and the most obvious beneficiaries in that sector who are in Jersey should also be asked to pay a little bit more income tax? So if they were earning 6 figure salaries and they are quite clearly benefiting when many others, including their own colleagues that are lower ranked, are struggling, is it not now the time to say: "You can afford to pay a bit more, we are going to increase the upper rate of income tax from 20 per cent to whatever is perhaps a more optimum figure.

Senator P.F.C. Ozouf:

There are lots of questions in that.

The Deputy Bailiff:

I actually think that question is not in order, Deputy. It relates to increases in income tax which I think has strayed a very considerable difference away.

Senator P.F.C. Ozouf:

There was one bit that I thought was relevant. There were 5 questions. Whether or not the focus on financial services was correct.

The Deputy Bailiff:

Very well.

Senator P.F.C. Ozouf:

What I would say to the Deputy is that growing ... we are increasingly a centre which is ... I think the word "finance" covers a multitude of activities increasingly. We are an export services centre. We are a service-based economy that is adding professional and business services in terms of what we do. That is underpinning mining, it is underpinning intellectual property, the increasing and growing tech centre; that is what it is about. So the Deputy's sort of stuck record in relation to observations that we are simply a finance centre, he needs to move on to represent what the real growth and the real inward investment that we are seeing in Jersey, which is so important to create

income, which is going to solve the problems that he wants us to deal with, which is inequality. This question is about inequality. If we increase economic activity and economic growth in these areas, which is good economic growth, and well-regarded economic growth, then we are going to be able to deal with social mobility. He does not have and his colleagues do not have the monopoly on caring about social mobility and inequality. We all care about that and that is what we are trying to do. Also there is no austerity. Where is austerity? We are not cutting government expenditure, we are switching government expenditure from some aspects of inefficiency into areas that we are doing so that we do not have to put burden on taxation. That I think is what the Minister for Treasury and Resources, which I fully support, is trying to do.

The Deputy Bailiff:

Can I just remind Members that questions and answers must be succinct?

5.6.5 Deputy G.P. Southern:

Does the Minister agree that economic growth figures for the past 2 decades, time and time again, have stayed rested ultimately close to zero over the 2 decades? Does the Assistant Minister have any new and innovative methods to ensure that at last, after 2 decades of efforts on behalf of Council of Ministers after Council of Ministers, and he has sat on many of them, to ensure that we get some growth in the economy at last rather than what we have had over the past 2 decades?

Senator P.F.C. Ozouf:

That is an excellent question because again I would encourage Deputy Southern and his colleagues to understand that economic growth numbers and G.D.P. and G.V.A. (gross value added) numbers, which are calculated for Jersey are not necessarily ... first of all if they go down then you have to understand why. Why have they gone down? They have gone down because interest rates are low and that is pulled down. The moment interest rates return to normality because of the scale of the financial services industry you are going to see economic growth go up. Is that going to solve some of the underlying pressures of public finances in terms of more income required to spend on the hospital? No, it is not. So we need to move away from the single binary suggestions that one figure matters. The figures that I look at are employment numbers and Business Confidence Survey. Those are the things that matter and is it not absolutely remarkable that at the end of a worldwide financial crisis where many I.F.C.s (International Financial Corporations) have come under huge pressure Jersey has a rising number of people engaged in business and professional and financial services compared to many other places that are falling, and Jersey has a rising area of expertise in this area and a rising population as opposed to a falling one.

[10:45]

Those are the figures that he needs to look at as opposed to broken record accusations of G.V.A. which he simply does not understand because G.V.A. has fallen because of interest rates.

Deputy G.P. Southern:

The question was and it has not been addressed ...

The Deputy Bailiff:

No, I have ...

Deputy G.P. Southern:

The question was does he have any new weapons?

The Deputy Bailiff:

Deputy, please ...

Senator P.F.C. Ozouf:

I said employment.

The Deputy Bailiff:

When I ask for a final supplementary and the answer is given that is the end of that question, once the answer is given.

Deputy M. Tadier:

On a point of order, not to do with that ruling, is it in order for the Senator to stand up and say that his colleague in the Assembly does not understand something or is that perhaps going over the line? He seems very touchy this morning.

The Deputy Bailiff:

I do not rule that observation necessarily as out of order. It has to be taken in context, I think.