

### **3.9 Deputy G.P. Southern of the Chief Minister regarding the recent I.M.F. discussion paper 'Redistribution, Inequality and Growth':**

Has the Chief Minister read the recent I.M.F. (International Monetary Fund) discussion paper *Redistribution, Inequality and Growth* which points out that countries with high levels of inequality suffer lower and less sustainable economic growth rates than those that redistribute incomes more evenly? Will he make the creation of a more equal society a major plank of the proposed long-term strategy: Preparing for the Future?

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

I accept that excessive inequality is not supportive of sustained economic growth if it undermines the health and education of residents. The Council of Ministers is already investing in health, education, social housing and other infrastructure projects. These policies support economic growth and reduce inequality and they support Ministers' aims of ensuring that all Islanders have the opportunity to fulfil their potential, that people who work hard see the fruits of their labours and that the vulnerable are protected.

[11:15]

Preparing for the Future provides a framework for policy development and I hope we can use it to sustain Jersey as a responsible society that offers a positive future for all Islanders.

#### **3.9.1 Deputy G.P. Southern:**

A supplementary, Sir. For example, within the strategy, which as he says is long-term, will he set out specific targets for a Gini co-efficient, which is the measure of inequality in a society, and target a reduction in inequality as a major aim?

#### **Senator I.J. Gorst:**

As he knows, the framework document has been published and, to date, what I understand was a very useful workshop with States Members, took place yesterday, there is another one taking place on Thursday for other Members that have not been able to attend those. I propose other workshops as well, because we are at the process where we need to consider whether that will be an appropriate target to deliver on the priorities and the aims within that long-term plan. The Deputy has his ability within those workshops to consider whether such a specific target should be included or not.

#### **3.9.2 Deputy M. Tadier:**

The Chief Minister said that excessive inequality is not healthy for society. Would the Chief Minister state what parameters of inequality are acceptable in Jersey and why?

#### **The Deputy Bailiff:**

Ninety seconds, Chief Minister.

#### **Senator I.J. Gorst:**

Thank you, Sir. I think that is a question which does not have an answer. My comments arose from the I.M.F.'s discussion document and, if the Deputy himself has read that, he will be able to understand that there is no straightforward answer to that because some government policies can deliver economic growth and reduce inequality. Redistribution, whether in unequal systems, does not necessarily go to reducing inequality anyway, so it is a very complex answer to what appears to be a straightforward question but is not.

#### **3.9.3 Deputy M. Tadier:**

If I may, the Chief Minister also said that those who work hard should enjoy the fruits of their labour. What does the Chief Minister think about those who enjoy the very substantial fruits without necessarily even having to do any work at all, perhaps because they have inherited large fortunes or large pieces of land? Should their hard labour or the lack of their hard labour and their assets be redistributed to those who genuinely are working very hard in our society so that the Chief Minister's adage of those who work hard should enjoy their fruits could be made a reality?

**Senator I.J. Gorst:**

The question simply goes to prove that what I said in answer to the Deputy's first question is absolutely correct: it is not a straightforward issue. The Deputy seems to be inferring that somebody that has inherited wealth therefore does not work. That correlation does not exist. Somebody who is incredibly wealthy may work incredibly hard or not; equally, somebody that we may consider is in need of extra support may or may not work incredibly hard. The correlation does not exist.

**3.9.4 Senator S.C. Ferguson:**

The theory predicates a "reasonable growth." Has the Chief Minister commissioned any work to review and assess what is reasonable, given that the discussion paper recommends urgent further analysis?

**Senator I.J. Gorst:**

That again is an interesting point that comes out of the discussion paper. The experts in the papers that were reviewed say in their conclusion, and I am reading: "We need to be mindful about over-interpreting these results, especially for policy purposes." It is hard to go from these sorts of correlations to firm statements about causality. One of the issues that the paper raises is that there is a dearth of information and statistics on which policymakers should develop policy. I am not sure that we, in our small community, are going to be able to provide the amount of statistics which will be able to prove or not that correlation, and therefore help us develop policy. Of course, we are producing evermore statistics and our independent statistics department are questioning and providing data upon which we as government can produce future policies, and that is as it should be. That is why it follows that policy officials from not only the Statistics Unit but also the Economics Unit are available at workshops for States Members to help us develop those policies going forward.

**3.9.5 Deputy G.C.L. Baudains:**

Following on from Deputy Tadier's question, would the Chief Minister agree that the ultimate equal society is a Communist one and, if so, could he advise us if he is aware of any Communist countries that have a superior economic performance to other countries? In other words, does he align himself with the discussion paper from the I.M.F.? Does he believe it is that accurate?

**Senator I.J. Gorst:**

It is easy to become polarised in these types of debates. I accept the Deputy's question, he is right, but I do not see a Communist society as being successful, they just have a different type of inequality. Let us remember, if we go back to the States Strategic Plan, we there have priorities of investing in health, investing in housing, investing in infrastructure, investing in long-term planning for the future. The Deputy is shaking his head, but if he has read the report, which he is trying to highlight today, he sees that report points out that, for example: "Public investment in infrastructure, spending on health and education and social insurance provision may be both pro-growth and pro-equality" which is exactly what this government

and this Council of Ministers is, and it is exactly what this government and this Council of Ministers' work programme has sought to deliver. We believe in both.

**The Deputy Bailiff:**

A final supplementary?

**3.9.6 Deputy G.P. Southern:**

I hope so. Let us see if we can get a response first. The Minister has quite rightly looked at the caveats rather than the content, but does he agree that, nonetheless, the trend seems to be that lower net inequality is robustly correlated with faster and more durable growth and redistribution appears generally benign in terms of its impact on growth? Does that not, in fact, contain a direction on which his strategic long-term policy should be based? I have read his outline at the moment for his strategic policy, and it contains not one reference to increasing equality in our society. Why not?

**Senator I.J. Gorst:**

I think the Deputy must be misreading the long-term strategic framework. We are looking for the future to develop a high-performing economy, an inclusive community. He is failing to see that an inclusive community deals with the issue of equality, and a protected environment. The Deputy accuses me of reading carefully from the I.M.F. report; I would say that is not the case. What I have said throughout my answers this morning: it is not that straightforward. He is trying to make correlations which do not exist and he is not commenting upon such comments as this: "Redistribution that takes from the rich and gives to the poor is likely to reduce the labour supply of both the rich, who are taxed more, and the poor insofar as they receive means-tested benefits that reduce incentives to work." Therefore, it says that you cannot make that direct correlation. If we look at what we are doing as a government, which I have just said, is we are investing in infrastructure, we are investing in health, we are investing in social housing, we are investing in education; policies which deliver economic growth and a more equal society. I do not believe the Deputy can ask for more.

**Deputy G.P. Southern:**

If I may, Sir, could I ...

**The Deputy Bailiff:**

I am sorry, Deputy, we have got 2 more questions to go in just 20 minutes and you have had just over 10 minutes on that question. The practice of a supplementary to a final supplementary is not one that is going to be endorsed by the Chair. So we come to question 11 which Deputy Tadier will ask of the Minister for Social Security.