Mission Unpopular not Mission Impossible

Whilst the DETI Minister is 'Economy Minister', in many ways, it is actually DFP that has the most potential to influence the economy. DFP should therefore have an explicit tier one objective to 'rebalance the economy' and should be 'economy proofing' all activities.

The current DFP Minister's 'telling it as it is' strategy should become a formalised approach to help address NI's 'fiscal deficit attention disorder' (FDAD). This strategy would require greater transparency over revenues, subsidies, public expenditure and benefits take-up. Throwing sunlight on what and where money is spent is the most effective way to highlight waste, inefficiency and change behaviours. Effective communication with the electorate will enhance understanding and pave the way for unpopular but necessary policy decisions.

A *State of the Nation* public information broadcast by the DFP Minister highlighting our annual fiscal deficit would be a starting point. Headline per capita expenditure and revenue comparisons with other UK regions would also be included in the annual rates bills. Public sector workers would receive an annual reward statement highlighting their entire remuneration relative to the private sector average *(including equivalent private pension cost*). An Independent Public Sector Pay Review would be initiated looking at frontline versus administrative pay and public versus private sector. Frontline expenditure / employment would be defined and quantified relative to non-frontline across all departments. The latter should bear the brunt of the required cuts.

A new NICS pay structure would remove the automatic *'one-step progression'* and provide meaningful pay progression commensurate with responsibilities and productivity, not length of service. The number of junior civil service grades would be reduced (from 7/8 to 4/5) with the aim of lowering the extraordinarily high admin support ratio and streamlining the administrative chain of command.

Greater fiscal transparency and credibility would include a commitment to a fixed percentage of total public expenditure being guaranteed for capital investment over a ten-year period. This would be above other regions in order to address decades of under-investment. A credible commitment to raise at least the same revenue per capita as other comparable UK regions would also be made.

With capital investment set to fall by 60% in 5 years, I would increase the cuts in current expenditure from a cumulative 7% in real terms over the next 4 years to 12-15% to help prop up capital investment. A list of public sector functions to be privatised / outsourced would be drawn up, satisfying the twin goals of cutting public expenditure and rebalancing the economy. In addition, all existing procurement contracts would be renegotiated to cut costs.

Traditionally, the view has been that maximising the size of the block grant is in the best economic interests of NI, thinking that most economists regard as flawed. While NI enjoyed an expenditure boom throughout most of the last decade, it failed to narrow the prosperity gap with the UK. HM Treasury should be lobbied for greater fiscal flexibility with a view to swapping ineffective public expenditure for incentives. In effect, this would re-brand NI from a *'Subsidies-R-Us'* economy to an *'Incentives-R-Us'* one.

According to Bill Clinton, for anyone wanting to shape the future, an understanding of basic economics is vital. Therefore I would make David Smith's book, *Free Lunch – Easily Digestible Economics – why there's no such thing as a free lunch* mandatory reading for all public

representatives. The four words on page 26 *'people respond to incentives'* would be highlighted and become the motto for NI's economic / fiscal strategy.

Assuming HMT approval, a 10% corporation tax rate would be marketed immediately to take effect in April 2013. This would attract investment now but would cost nothing for the first two years. Thereafter, the wider economic development budget would be reduced to pay for the incentive. It would be unfair for the cuts to be made elsewhere as the least well-off rely more heavily on public services and would suffer. By the same token, deferring water charges, free prescriptions and free public transport for over 60s, are not costless either. They result in the less well-off suffering indirectly as the foregone revenue results in cuts in public services elsewhere. Free prescriptions should be abolished; free public transport raised to 65; and water charges introduced. The £200m p.a. from water charges would be ring-fenced for capital investment.

On the personnel front, I would beat down the doors of No.11, the White House, and in Brussels, for experts for public sector / economic reform to be parachuted in for a five-year period. Radical reform requires an infusion of radical reformers. The Scottish Executive's Council of Economic Ministers would also be replicated (perhaps chaired by economist Sammy Wilson) to guarantee a regular interactive discussion.

The task of finance Minister is certainly challenging. However, delivering fiscal austerity and economic development is a question of mission unpopular rather than mission impossible.

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