

A Socialist Reply to the Bermuda Budget

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“It is not good to limit ourselves to the limited visions of the two party system, of the OBA and the PLP. We, the people, must broaden our political visions – and visions for our island. I offer this socialist reply to the 2014 Budget as a contribution to widening our collective vision of what could be.”



A Socialist Reply to the 2014 Budget

Introduction

Of all the documents tabled in parliament, it may be said that the Budget is the most value-laden. The Budget reflects the priorities for the island and its future. Quite frankly, if you want to know what the Government values, then you need to follow how they propose to raise and spend their money.

The test of any budget is not the size of the deficit or how quickly the Minister forecasts a path back to surplus.

Rather, it is whether the decisions underpinning and outlined in the Budget make Bermuda a better island, a better place to live and work, to love;

Whether it makes us a more democratic, equal, caring, happy and prosperous community;

Whether it looks after the precious places and people we love, and the natural and built environment in which we live;

And whether it delivers all this in a fiscally responsible way without undermining everything that makes Bermuda work.

For this Budget people wanted a vision, a glimpse, of a future in which everyone can be healthy and flourish, with access to good educations and with job prospects in a dynamic and diversified economy.

People wanted a vision of a future where they can live in communities that are safe, sustainable and friendly, and where they can look forward to an old age supported by appropriate and quality health and aged-care services.

We cannot build a smarter Bermuda while cutting funding to students, training and opportunities for local research and development.

A stronger society is not just about money but also about how we relate to each other.

There has to be a renewed recognition of the dignity of labour, and that it is fundamentally wrong when people are not able to earn enough to support their families through working full-time, while others who want to work are forced into the living death of under or unemployment.

If we are going to really grapple with the structural problems of our island then we need to explicitly try to shift policy towards trying to boost real wages in the bottom half of the wage distribution and bring down the costs of housing, childcare and energy.

Growth – Good & Bad

The Budget speaks about the need for growth.

A distinction needs to be made between quantitative and qualitative growth – both are at times necessary, however an overemphasis solely on quantitative growth risks undermining our very existence in the long-term.

What Bermuda needs, however, more than quantitative growth, is qualitative growth – that is, properly speaking, development.

A focus on qualitative growth, on development, focuses not so much on production and consumption, on the limited metrics of GDP, but on improvements to our quality of life.

The type of growth which we need for Bermuda is the growth in the number of good jobs, the growth in the incomes of the 'have not's', the growth of green technologies that free us from import dependency of fuel, the growth in the availability of quality healthcare for all, growth in security against the risks of job displacement, growth in the investment in public infrastructure and environmental amenities that benefit us all and not the one percent, and growth in the expansion of accountability, transparency and participatory democracy.

On our island there are finite limits to growth in terms of quantitative growth. There are no limits to qualitative growth.

A fixation on the former will only lead to maintenance of the status quo, a reinforcement of our structural problems, and even worse contradictions – and all the misery they involve for our people and our quality of life – in the future.

To this end we must move beyond the limited metrics of GDP and embrace more appropriate measurements of human development, such as the Index of Sustainable Economic Welfare (ISEW) or the Inequality-adjusted Human Development Index (IHDI).

Commercial Immigration

I note with concern that the Budget refers to moving forward on the issue of commercial immigration, while this Government is on record of, first, distancing itself from such a policy, and then, more recently, claiming to only be engaging in consultation on this issue.

The inclusion of allusions to commercial immigration in this budget will only reinforce the views that this Government promises one thing and then does the other – not unlike its position on promising a referendum on casino gambling, only to then commission a strategy on how to ditch it, and then manufacture an excuse to do just that.

This leads to a growing deficit in terms of trust – and a Government which loses the trust of the people is a Government in name only.

60/40 Rule

While the Minister may well be right when he says the 60/40 rule was introduced by, and for, the old White oligarchy (who remain very much intact, one should note), in the interests of this oligarchy to protect their wealth, this rule has also provided a vital support for small and medium businesses too.

The 60/40 rule has also contributed to the uniqueness of Bermuda, for both residents and visitors alike, ensuring that our community has not been dominated by multinationals that have no interest in the welfare of our community but only an interest in the welfare of their profits.

While there may indeed be valid reasons for relaxing this policy in some areas, a wholesale removal of this policy will be catastrophic for small and medium businesses in Bermuda.

Furthermore, at a time when we should be seeking to reduce the leakage of hard currency – monies – from Bermuda's economy, the blanket relaxation of this policy would likely instead see an accelerated haemorrhaging of monies out of Bermuda.

It is also likely that relaxing the 60/40 rule now would also largely only benefit the oligarchy still. Who can benefit from renting the land or properties that these multinationals will use? Who will benefit from this multinationals purchasing existing infrastructure? Who here has the capital to invest in these multinationals? Only the existing oligarchy has the wealth to do so, while relaxing this rule would pull away the ladder from those seeking to climb up and join or rival this oligarchy.

Such a blanket relaxation of the 60/40 rule would only entrench the inequalities that persist in our community and sell our country to those whose only interest in Bermuda is what profit they can squeeze out of us – and not in the welfare and sustainability of our people.

The OBA must clarify its intentions regarding the 60/40 rule, with any move towards the wholesale removal of the 60/40 rule to be met with grave concern and resistance; and selective relaxations must be done with the utmost of care to insure against unintended consequences to our community.

Healthcare

Healthcare is indeed a problem and a source of concern for our community. Our existing system has failed, and continues to fail, to provide a comprehensive and universal healthcare for all.

We need to tackle the structural problems of it, both in the sense of prevention of avoidable illnesses and in reducing the profit incentive that sacrifices the health of our people for the sake of profit.

It is important to acknowledge that the elements of public health far exceed that of medics, doctors, pharmacists and hospitals. Health must be seen in a much wider scope, including access to a balanced diet, job security, job satisfaction and accessibility in our social and built environments, these are all crucial to determining how well and how long people live. Indeed, income inequality is in many real ways the most important factor in determining healthcare realities than any other factor – with there being a direct correlation between income inequality and life expectancies.

Much of the focus of healthcare today focuses on treating the symptoms of inequality in our community, rather than focusing on the causes of inequality itself – and it is by treating inequality from a public health perspective that we can most effectively improve our community's health and reduce the overall burden of healthcare costs for all.

The OBA Government has not yet provided a satisfactory explanation for not acting on the National Health Plan, which provided an excellent roadmap towards a sustainable healthcare system for Bermuda, and involved in-depth stakeholder consultations.

Similarly, the Government should investigate the potential for a centralisation of all pharmaceutical importation through the Ministry of Health. This would provide benefits in terms of economies of scale, and ensure a marked reduction in profit mark-ups, reducing the costs of prescriptions for all.

External Threats

“You will never have democracy in America while big business buys both parties and expects a payoff whichever one wins.” Jack Gilligan, former Democratic Governor of Ohio.

The Minister is right that the international climate is not exactly friendly for Bermuda.

There is a growing – and understandable – resentment in other nations against parasitical corporations using low-tax regimes, like Bermuda and other, less scrupulous regimes, to escape their corporate social responsibilities in those countries.

And we are seeing the local capitalist classes in those countries quite happily deflecting scrutiny and of their own oppressive financial regimes and wage slavery by channelling indigenous anger towards external targets such as Bermuda.

It is precisely because of this international hostility, and the potential threat by those international forces to destabilise us – sacrificing us in order to save their own skins – that it is imperative for us to diversify our economy away from dependence on IB alone.

As long as we are dependent on one industry we sacrifice our independence, render our parliament subservient to the whims of that industry, and leave ourselves vulnerable to external hostility.

Alternative industries must be identified or developed.

We must not be content to simply defend what we have – we must take pro-active steps to diversify and provide our people with the skills and support they need to adapt to changing circumstances to our economic model.

Income Tax

The Minister states, and I quote, ‘we have no income tax and we do not apologise for that’.

One wonders if perhaps the time has come for Bermuda to investigate different options for income tax going forward. At the very least, we may find it beneficial to look at options for taxing incomes from investments.

And beyond looking simply at the potential for a greater redistribution of wealth, we need to seriously look at the issue of pre-distribution.

As part of ensuring greater transparency and accountability in society, company legislation should be amended to ensure that the details of all directors pay packages are published in

the annual reports of listed companies, record a ratio of high pay to low pay and the distribution of pay across different levels of earnings.

The introduction of a minimum, and living, wage is long overdue and should be a matter of priority for Bermuda.

Tourism

The Minister speaks of the importance of moving forward with the 'Integrated Resort Concept'.

Let's be clear about this, the term 'integrated resort concept' was created in Singapore as a way to make 'casino gambling' more palatable. Just as 'gambling' has been rebranded 'gaming' in order to present a better image, same with integrated resorts which are little more than a casino with a hotel tacked on.

So let us call these integrated resorts what they truly are, casino hotels.

The case has yet to be made that casino hotels are truly what is best for our tourism.

We have surveys that indicated that casino hotels would actually detract from our tourism product and even deter some tourists from coming, while the proposed gains seem more a matter of assertion than anything else.

And in Singapore itself, where the Government has apparently sought to copy the idea from, the casino hotels there have shown, at best, a short-term initial profit and have since been running at a deficit.

Amazingly, only a few months ago the same Minister of Finance made public statements to the effect that after months of researching casino hotels he had yet to see any evidence that they would actually benefit Bermuda.

In many ways this lack of evidence to support the push for casino hotels by this Government is a casualty of this same Government's decision to ditch the referendum on casino gambling that they themselves promised in their election platform.

A referendum would have allowed a more objective pro and cons discussion of this issue, as well as providing the long-term stability that investors require, regardless of the outcome of such a referendum.

Furthermore, it is regrettable that the Government saw fit to further increase its trust deficit in this way.

As to tourism itself, while there is a role for cruise ships in Bermuda – and at both the municipalities and Heritage Wharf – especially for the 'buzz' that they bring when in port, the focus has to be on increasing air arrivals.

Cruise ship visitors are good, and quite often they are truly better than nothing. However, they also have the capacity to overwhelm our infrastructure, while also bringing relatively little in terms of return in investment for our island.

We expend monies to cater for them, to handle with the strain on our infrastructure, only for very few dollars to change hands, with far too many cruise visitors engaging in sightseeing and the occasional purchase of trinkets, while retiring to their ships for entertainment and food.

In some ways the cruise ships may be compared to Walmart's in the USA. They bring some benefit to communities, while at the same time undermining local facilities, entertainers and restaurants who quite simply cannot compete with these floating Walmart's.

In contrast, air visitors contribute much more to our community.

They stay in local hotels, providing jobs for our people. They spend money in our restaurants; take the time to visit our attractions and to buy more than the occasional trinket.

All of this means that it is air visitors who provide the bulk of jobs and foreign exchange for our tourism sector.

While much work has been done already as regards air visitors, a lot more still needs to be done.

On the issue of hotel beds, it is not clear that the traditional 'big hotel' model is applicable in this day. They have a role to play, certainly, and any new hotel development or renovations are of course welcome.

However, much more needs to be done to encourage and support the medium and small-scale hotels – guest-cottages or mini-hotels proper.

These provide a far greater ROI for Bermuda, especially in the long-term in as much as they provide a more intimate experience for tourists, encouraging return visits.

For far too long the big hotels have dominated – and continue to dominate – the bulk of our tourism thinking as regards hotels.

We need to change our focus and investigate what more we can do for the smaller hotels – which, one should note, generally provided more jobs for locals and tend to keep the tourist money within Bermuda, whereas the big hotels may in many ways be seen as leaking money away from Bermuda.

We also need to also accept that we cannot compete with our cousins to the south in terms of mass tourism.

They have advantages in terms of lower costs of living (and thus lower wages) and less seasonal variation in terms of climate.

We cannot adequately compete with that. Our mass tourism product is always going to be at a price disadvantage.

What we must do instead is outcompete them with our strengths, which exceed our greater proximity to the north-east of the US and Canada.

We need to develop a quality cultural and eco-tourism product, and one complemented by quality infrastructure – infrastructure which simultaneously benefits both our own people and other industries.

And rather than trying to remake Bermuda into some 'McIsland' indistinguishable from any other island, we should instead embrace that which makes us unique and create our own indigenous product.

We need to embrace a new vision for tourism, rather than repeating the mistakes of the past or being held to ransom by big capital and their kept advisors who seek to corrupt or politics with their threats and bribes.

A new tourism must seek to build internal linkages within our community – it must be a tool that helps with developing our own light industries and agricultural sectors, build up our own entertainers in all their diversity, that places Bermudians and the community, both culturally and environmentally, at the core, and in doing so reduce the leakage of monies from our shores and into foreign bank accounts.

Our current model is not sustainable in any sense of the term; we need to have a radical rethink on this, internally and not beholden to foreign interests and their consultants, but one that starts with Bermuda and her people at the foundation.

If we fail to do this we risk making true the refrain from decades ago that 'tourism is whorism' and undermine our very viability as a community and independent entity.

Education

The Budget refers to creating a Risk Institute.

This is welcome and sensible. The question is whether this will be a stand-alone entity or combined with the already excellent Bermuda College? Indeed, there may be the potential to partner with the University of the West Indies on this, for the Bermuda Institute to serve as a satellite campus for them, and so laying the groundwork for further expansion of the Bermuda College going forward.

Potentially this can also play its part in diversifying our economy, even in a small way, attracting international students from both the Caribbean and the Americas in general?

In addition to the proposed Risk Institute it would be advised to proceed with a world-class convention centre.

This can be attached to the Bermuda College also, in partnership with Coco Reefs perhaps, and allow Bermuda to host business conventions as well as academic and other conventions, further contributing to a diversification of our economy.

It is concerning that the Budget appears to be reducing funds for retraining and education scholarships in general.

As the economy remains in crisis and our people at risk of further unemployment, education and retraining is one avenue that we should be supporting, to facilitate workers transitioning from a now redundant position into a new one, with new skills.

Furthermore, the crisis presents an opportunity for new industries, and in order for those to succeed we need to encourage blue-sky thinking and an expansion of skills and credentials amongst our people to serve as both the catalyst and the workforce for these new industries.

Cutbacks to retraining and further education thus seems particularly counter-productive at this moment, and we risk losing whole cohorts of our people, unable to adapt to the rapidly changing economic reality, and thus seeing jobs which would otherwise go to qualified Bermudians taken up by expatriates – further exacerbating the already stressed social fabric of our island.

‘No New Taxes’?

The Minister states that there will be ‘no new taxes’.

That is, the Budget intends to keep the tax regime status quo.

In this he is missing an opportunity and only taking a limited view of taxation.

Taxation may be used to encourage or discourage certain activities –they may be used as proverbial ‘carrots and sticks’.

For example, the Budget notes the problems with our healthcare costs, but ignores the role taxes may play in the overall reductions of these costs. Increases on certain products, that is ‘sin taxes’, may be used to discourage consumption of products that contribute to our health costs, at least in relation to those influenced by diet, for example.

The most common sin taxes are on things like alcohol or tobacco, but there is no reason why we cannot extend this concept to foodstuffs known to contribute to problems such as obesity, cardiovascular diseases or diabetes – junk food in other words.

A sin tax on junk food can help to discourage their consumption.

Similarly, the revenue generated from this junk food tax may be ring-fenced and used to directly subsidise (or in the language of the Budget, ‘negative taxation’) staple or healthy foods, helping to make a more balanced diet affordable.

In this way we can use taxation to directly reduce our long-term healthcare costs by promoting preventative healthcare – by promoting a healthy diet for all.

In doing this taxation adjusts prices to better reflect their true cost, their true price, by internalising the externalities otherwise covered by the state.

For many products these externalities are not included, and this leads to a direct subsidisation by public monies – for example, public monies are used in dealing with the healthcare costs resulting from poor diet (itself largely a function of income inequality), while the benefits of healthy foods are not truly reflected in their price.

In a similar way we can introduce a carbon tax on agricultural products that can be produced here, when in season.

This would level the playing field for our agricultural sector, encouraging and supporting this struggling sector which has the potential to contribute so much to our well-being and the Bermuda image – and also reducing the leakage of foreign exchange offshore.

And, similarly, the revenue generated may be used to help subsidise local agriculture, making our local (albeit limited) food production capabilities much more sustainable.

Taxes may also be used on the one hand to discourage traditional fossil-fuel transportation options and to encourage, through subsidies, hybrids, electric cars and cycles (including building the infrastructure – cycle paths, cycle storage, electric charging stations, etc.).

This would contribute to reducing our energy dependence on imported fossil fuels, which, beyond making our island more sustainable, also means a reduction in money leakage off-island.

It is true that Bermuda's economy remains fragile.

However it is wrong to use that as an excuse for 'no new taxes'.

It is precisely because the economy is fragile right now that we can take advantage of this opportunity to encourage behaviours and new technologies which will benefit Bermuda in the long-term while discouraging behaviours and technologies that do more harm (and cost more in real terms) than good for Bermuda in the long-term.

Civil Service Reform

In the Budget the Minister refers to the SAGE Report and notes the Government's commitment to reforming the civil service.

The SAGE Report's sections on this were largely based on pre-existing recommendations from various reports on reforming the civil service. Reports that, despite some excerpts being made available in the SAGE Report itself, remain unavailable to the people and to the very civil servants they refer to.

In order to move forward, together, on the reform of the civil service, it is imperative that these reports be released to the public.

This will allow everyone, especially the unions and the workers involved, to discuss the merits of this or that reform, to understand the recommendations in their proper context, and dispel suspicions of cherry-picking on the part of Government.

Furthermore, it is important that these reforms be done in an open and genuine partnership with the BIU and the BPSU. We cannot allow only token involvement by the workers representatives in such a process.

Mutualisation

"The only possible alternative to being the oppressed or the oppressor is voluntary cooperation for the greatest good of all." – Errico Malatesta

“Why should workers agree to be slaves in a basically authoritarian structure? Why shouldn’t communities have a dominant voice in running the institutions that affect their lives?” – Noam Chomsky

Concerns must be raised about the proposed Public Bodies & Reform Act and its accompanying Efficiency & Reform Authority.

There is a risk here that an unaccountable – in the wider sense of democratic oversight – authority will serve as judge, jury and executioner for public services and worker’s rights and conditions, guided not by public need and the positive externalities that various public services provide, but instead by the short-sighted tyranny of the bottom-line.

While the status quo may not be an option, this does not mean that the Minister’s solution is the answer – or at least the only answer.

It is important to note that the public sector is founded on a different set of values than the private sector.

The public sector serves, and is accountable, to the people.

It is not accountable to a group of shareholders seeking to maximise profit.

This does not mean that the public sector is blind to efficiency and effectiveness – and there are legitimate reforms, especially PATI, which may facilitate this – however it does mean that it provides services with an emphasis not on profit but on equity, impartiality, political neutrality, probity, trustworthiness, incorruptibility and universality.

The Government, it would seem, is engaged in a major restructuring of the State; the economic problems relating to the debt and the deficit are the reasons being set out for this, however the real objective appears to be an ideological fixation on the massive shrinking of the public sector and, with it, a reduction in the conditions and rights of workers in general.

The public sector reform being proposed by the OBA needs to be seen in this light.

Resistance to the marketization of public services, along with the reduction of accountability that goes in hand with such marketization (and even Quango-isation) must be strengthened.

Public services must not be reduced to a crude cash nexus, the tyranny of the bottom-line and crude commodification.

Rather, we must seek – in concert with the workers and consumers of their services – to build a new model of public services rooted in autonomy and the devolution of decision-making.

The Minister makes reference to the concept of ‘mutualisation’ as one way to go about reforming the public service – or, rather, to ‘spin out’ or ‘shift’ public services out of the State.

Mutualism in itself is a fine idea, and one that has a long and proud history originating in the co-operative movements of the 19th Century.

In Bermuda itself there is a history of mutual, in their original sense, in the forms of the Friendly Societies that emerged after emancipation, to protect and expand the interests and conditions of freed slaves.

However, from the Minister of Finance's comments, what he means by 'mutualism' is qualitatively different from the original and historic meaning.

His rhetoric on mutualism instead seems to be but a synonym for partial social ownership, essentially being little more than privatisation with a pretty name and a touch of sugar to sweeten the bitter reality that this means for worker's rights and conditions, as well as the provision of service.

Nonetheless, the Minister should be thanked for resurrecting the idea of mutualism, if only in name.

The task, however, is to not simply resurrect it in name only – as the Minister has done – but to go further and resurrect the radical essence of mutualism, updated for the 21st Century.

This means not using it simply to gloss over privatisation but instead to democratise services, under the full control of the workers and consumers, rather than the limited tokenism of the OBA's 'mutualism'.

The Minister advocates mutualism in the form of de facto privatisation – privatisation by stealth – of public services and civil servants.

What happens to the collective bargaining agreements for these workers? What controls will there be as regarding asset locks in the event of a catastrophic collapse? What additional burdens will be placed on spun out services that will need to now accommodate for services currently handled by the centralised state – such as IT and Human Resources?

The Minister portrays a false dichotomy of bureaucratic public sector and competitive private sector. There are more than these two organisational and ownership models.

A more democratic form of state ownership – one where as much control as possible is ceded to the workers and the consumers – is indeed possible and worth striving for.

If workers and consumers are empowered and provided with all the available information they are quite capable of willing to identify superfluous practices. In some instances it may be found that with the self-management of workers and consumers that expensive management classes will themselves become superfluous, with resources then being freed up to provide improved and expanded services to the people.

Importantly, we must ensure that any move towards mutualisation of the public sector is true to the values and principles of mutualism itself, and so it must come from bottom-up demand by the public sector workers themselves, rather than being forced on workers from above through an appointed committee or an oligarchic-managerial class.

One can no more force mutualism – workers active engagement in the owning and running of the organisation – and claim to be pro-mutualism than one can claim to be for democracy and bring democracy at the point of a rifle, as we've witnessed in the imperialist and criminal wars waged by the West in these opening decades of the 21st Century.

Any move to mutualisation of public services must be done through a binding ballot of all affected staff rather than Governmental decree.

Power to the People – Mutualism, the Private Sector, Electricity and the Banks

As noted, the Minister is to be congratulated for reintroducing the concept of mutualism to our political discourse, although we must ensure that the mutualism that prevails is not the limited and token mutualism that the Minister is in favour of, but the radical mutualism which is true to its historical origins, that prevails.

Beyond the Minister's limited vision of mutualism itself, he also betrays a limited vision of its application.

Just as we must go beyond his limited vision and achieve the radical democratisation of public services (as opposed to a token mutualism as a camouflage or prelude to privatisation), so we must go beyond his limited application of the concept to the public sector.

We must expand mutualism – and I mean here the radical mutualism for the 21st Century – to the private sector.

Any workplace whose workers elect to mutualise their organisation must be supported by the State in doing so – and such essential services for Bermuda as the importation of goods – the docks – and the production of electricity should be actively absorbed into social ownership in this way.

These services, vital to the island, must be democratised under the control of the consumer – all of us – and the workers that operate them, rather than the elite who seek to profit from them. Rather than working for the private interests of the 1% these services should serve the social interests of the community.

After all, if the OBA is indeed in favour of freeing workers to take control of their organisations and have more control and autonomy, then surely they would also support any democratic action by workers in the private sector to radically mutualise the very companies they toil in?

Unless the Government is willing to pro-actively support the mutualisation of the private sector as well, its calls for the mutualisation of the public sector will come across as hollow and as a ruse to undermine worker's rights and conditions while it marketises the public services.

Electricity

The Minister should be congratulated for raising the issue of cost-of-living in relation to electricity.

Access to affordable energy should be a fundamental right of all Bermudians.

Equity of access to basic energy services for cooking and lighting, like access to potable water, should be considered a human right in 21st Century Bermuda.

The Minister is also correct that islands like Bermuda are too small to justify competitive markets for electricity. However, electrical production in Bermuda has been controlled by a single private entity, for private profit.

The Government should take steps towards socialising this important utility, to ensure that it serves the interests of the people and not those of the one percent. This may be done through either absorbing it into the State itself, as a public service, or actively facilitating its transition into a mutual jointly owned and run by its workers and its consumers.

One of the great challenges for Bermuda is to reduce the leakage of hard currency from our economy in the form of energy imports.

The Government may play its part in conducting an urgent energy audit of itself and installing energy-saving and renewable energy technologies within its own infrastructure – and included in this must be a wholesale redevelopment of our street lights network.

Similarly, inducements to actively facilitate the adoption of energy saving and renewable energy technologies for residents should be supported.

Banking

The Minister should also be congratulated for initiating a conversation on the role of the banking sector in our community, and how they affect the cost-of-living.

There can be no bigger test of whether we are serious about building a new economy and tackling the cost-of-living crisis than reforming our banking system.

Financial services are an important industry; however they must become exactly that, a 'service'. And for far too long it has been a poor service for far too many of our people – and even, at times, a weapon in the hands of the oligarchs to neutralise its opponents.

Banks in this island should be considered – and become – a public utility.

The pay freezes that workers have taken as part of the one-sided 'shared sacrifice', along with cuts to public services (such as to legal aid for example) has helped fuel personal debt within our community, especially as regards mortgages.

It is increasingly necessary for the State to place greater statutory controls on mortgages, including relief, while also mandating that banks insure loans to small and medium-sized businesses to guard against bankruptcies and encourage lending.

Banks can also be mandated to ensure a quota of their lending is directed to small and medium businesses, as well as to 'green investments' such as installing renewable energy technology or kick-starting local green businesses, with limits to the interest rates for these loans, as well as to actively provide people with debt problems an opportunity to reschedule their loans and start to save.

These ideas, and others, should be investigate through the commissioning of an Independent Commission on Banking composed of representatives from the private sector, the workers unions and key NGOs, and with a wide mandate to investigate banking reforms.

Infrastructure & Pensions

The proposals to redevelop and/or improve the Causeway, the Airport and the Tyne's Bay site are to be welcomed. I look forward to hearing more details about the proposals involved.

Improvements to the Bermuda Aquarium, Museum & Zoo and the cultural heritage of our numerous forts should also be undertaken. These assets are valuable not only for teaching and respecting our own history and natural environment, but also are valuable assets from a tourism perspective.

It is surprising though that the Minister has, however, advocated the Public-Private Partnership (P3) model for financing such infrastructure investments.

The P3 model has been found wanting – while it provides what appears to be an initially 'good deal', in the long-term they generally often end up costing Government's far more, through interest, than the more traditional model where the State either takes care of the project in its entirety or simply tenders it out.

Quite frankly, the P3 model has been discredited and will only lead to greater financial stress on the State in the future.

An alternative approach, and one that at the same time addresses the challenges of our pension model (and replaces the existing pension model), involves establishing a People's Providential Fund (PPF).

The PPF, established as an autonomous, independent body – an NGO or, rather, a Quango – would be funded through a share levy. At the end of every financial year every public company listed in Bermuda, with the exception of small businesses, would issue shares worth 10% of their annual profits to the PPF, while private corporations and partnerships may issue profits-related bonds instead of shares.

Unlike corporation tax, the share levy does not subtract from the company's cash flow, nor can it be passed on to consumers through higher prices. Nor does it increase labour costs or act as a job tax like payroll taxes.

These shares would be held by the PPF for at least a decade in order to derive dividend income from them (dividends being less volatile than share prices), allowing for a guaranteed income over time. Dividends may also be invested by the PPF in bonds, in addition to public infrastructure projects, to further diversify the PPF.

The PPF would be mandated to invest its funds, with these funds being directed towards public infrastructure or charities.

In doing this the PPF enters into a relationship similar to a P3, where the PPF would agree to finance the construction of the infrastructure in question, but would not directly staff, provide or control services (which would remain the responsibility of the State or charity). The State or charity would approach the PPF with its infrastructure proposal, and if the PPF agrees to finance it then it will sub-contract the work, subject to competitive tendering.

If the project is built for less than the expected agreed cost then the earned surplus may be returned to the PPF over time. Similarly, should the project cost more than expected, and the cost over-run was the fault of the PPF's management, then additional funds would be raised from the PPF, with the resulting return on investment to the PPF subsequently reduced.

Unlike P3's however, the PPF will only take on projects with appropriate risks, and so will not be paid excessively due to the reduced risk – the managers of the PPF will have a statutory responsibility to work within the parameters of such appropriate risks.

Following construction, the resulting asset will be effectively 'rented' to the State or charity, with a competitive rent agreed on in advance of construction. This will increase over time to ensure a continued fair return to the PPF, for a period of no more than 30 years, and return the capital invested over the life of the asset – at the end of the 'lease' the asset becomes solely the property of the State or charity.

The PPF will have a statutory restriction on the amount of interest it may charge as a fair return on investment. A variable rate of 5-7% per annum, allowing for the varying complexities of the project would be acceptable. While this might be higher than if the Government had borrowed money itself, it represents the fact that the PPF would have its own costs and that the PPF provides a funding option not otherwise available to the State. Additionally, as the going rate paid under a P3 model (at least as of 2003 in the UK) averages 16.5%, this rate provides a far more attractive option to the State.

As noted above, as the PPF is an autonomous and independent organisation, and not part of the State, the financing of projects through the PPF would not constitute government borrowing, as the investor (the PPF) would be taking the risk, not the State.

Ultimately, using a model based on the proposed PPF provides a better deal for the State, provides the State with an additional source of funding and keeps monies within Bermuda (rather than paying 'rent' and interest to overseas multinationals).

Additionally, the PPF provides a solution to our pension problems.

Our current pension's model is not sustainable and, as the Minister notes, it is a 'complex, arcane topic with important medium and long-term implications.

The PPF system would largely replace our existing model, and through a combination of income arising from its share levy and income coming from infrastructure partnerships with the State (or charities), it would be able to fund a Citizens Pension, worth 70% of the median Bermudian wage (a substantial increase over the existing pension).

It should also be noted that there is a concern that on motivation behind the Minister's enthusiasm for privatisation or mutualisation of civil servants out of the public sector is an attempt to deprive these workers of their public service pensions. This requires further investigation and attention from all those potentially affected.

Ministerial Budgets

From reviewing the proposed Ministerial Budgets for the next year there are some concerns that should be noted.

It is worrying that the Sustainable Development Department sees a further reduction (12%) of their budget, although the 42% increase to the Energy Department is certainly welcome and long overdue.

There are some alarming reductions within the Ministry of Public Works, with a 9% cut to the Bermuda Housing Corporation at a time when the cost of living is driving more and more people to it for assistance; there are 6% decreases to both Parks and Conservation Services, both of which are already struggling to maintain themselves as is, and both of which contribute greatly to our tourism and educational products; there is a slight (2%) decrease to Works & Engineering, which is all the more surprising with the calls for infrastructure developments noted in the main body of the budget, and the department is already struggling to maintain our overall infrastructure – infrastructure which provides the foundation for Bermuda both in terms of commerce and community.

It seems counter-productive, in terms of our tourism product, to introduce a 9% cut to Community & Cultural Affairs.

The 19% increase to Financial Assistance is welcome, albeit a reminder of the stresses facing by our community. The 6% cut to Child & Family Services, however, is alarming and may lead to longer-term costs for our community.

It is unclear why, when there is cross-party support for abolishing conscription, that the Department of Defence is receiving a 5% increase this year, especially while the Police and the Department of Corrections experience additional cuts (4% and 5% respectively).

Also worrying is that the Department of Planning, already at breaking point after years of cuts, is seeing a further 12% decrease, potentially rendering it unable to function adequately. This is all the more concerning in light of the Government proposing major developments in the forms of hotels and infrastructure improvements, which will require a robust planning department to oversee.

That the Rent Commissioner and the Department of Workforce Development are also seeing cuts (16% and 9% respectively) is also worrying, the former especially in light of reductions to the BHC as well, and the latter seems most contradictory at a time when we need to facilitate just the very services that Workforce Development provides. This is especially the case as this latter department has as part of its remit the support of small businesses.

The Department of Public Prosecutions was only last month lamenting the consequences that cuts to the DPP over the last few years has had on its ability to function properly and fulfil its constitutional functions, the additional budget cut (albeit of 'only' 2%) is alarming.

It is also not clear what the Budget means in terms of Legal Aid, which has already been drastically cut over the last few years, however it seems likely (in as much as every Department within the Ministry of Justice sees cuts) that this has been further undermined.

Party Before Country?

The Minister has outlined his intention to consecutively decrease government expenditure over the next three years, with a cut of 7% this year, 5% next year and 3% the year after that.

One must wonder if perhaps the Minister has this backwards, and, if so, why is that?

The Minister himself has noted that our economy is fragile, but slowly improving.

Surely, then, it would make sense to engage in smaller cuts now, allowing the private sector to grow to an extent that it can absorb the increased cuts in later years, and so reducing the potential damage to our community?

As such, would it not make more sense to have a cut of only 3% this year, 5% next year, and 7% after that, and so not risking any fragile economy?

Or, perhaps, the Minister has his eye on the next general election which, barring the collapse of this current Government, would follow his final proposed cut? And as such is the Minister, rather cynically, calculating that the OBA's election chances would be better with a smaller cut than a large one in that year?

If that is indeed the case, is not the Minister putting party before country in this Budget?

Final Notes

“True compassion is more than flinging a coin at a beggar; it comes to see that an edifice that produces beggars needs restructuring.” - Martin Luther King Jnr.

Our economy is beginning to show some fragile signs of recovery it is true – and this in as much as the global economy is showing signs of improvement.

However, there is a risk that this recovery is itself illusory, on a global scale, being itself based on the same credit-fuelled bubbles that were the genesis of the 2008 crash.

Even the most depressed economies eventually recover, and the fragile recovery that Bermuda appears to be enjoying today is merely a reflection of this truth. Whether we will return to the same equilibrium as we had pre-2008 or not remains an open question.

The structural conditions for a repeat of the global crash remain firmly in place.

While Bermuda is limited in what it alone can do to alter the global structural economic problems, we are able to take this opportunity to ensure that Bermuda's own structural problems do not return to 'business as usual'.

Change is needed, and that change must be one that makes Bermuda a more equal country.

It is only by creating a more equal society that we will be able to ensure long-term prosperity for our people.

Central to this must be investments in infrastructure, including developing a more accessible built environment, and in education, which provides our people with the human capital to adapt to the changing global economy.

These alone will not be sufficient to ensure a more equal society, but they are key elements of it.

Critical to our success will be tackling those structural factors which continue to entrench socio-economic inequalities – and a commitment to reducing the cost of living through reforming the banks and tackling energy inequalities.

The time for a minimum, and living, wage has long since come, and its introduction will form another key part in developing a more equal society for all.

It is true that the status quo isn't good enough anymore.

It hasn't been for a long time.

The challenge before us is whether we want real change, and whether that change is one that will lead to even greater inequality, or do we want one that leads to a more equal Bermuda?

There are alternatives to the OBA's vision of marketising public services, cuts and reinforcing the power of the one percent.

A better Bermuda is possible.

“Political rights do not originate in parliaments; they are, rather, forced upon parliaments from without. And even their enactment into law has for a long time been no guarantee of their security.”

“Just as the employers always try to nullify every concession they had made to labour as soon as opportunity offered, as soon as any signs of weakness were observable in the workers' organizations, so governments also are always inclined to restrict or to abrogate completely rights and freedoms that have been achieved if they imagine that the people will put up no resistance.”

“Even in those countries where such things as freedom of the press, right of assembly, right of combination, and the like have long existed, governments are constantly trying to restrict those rights or to reinterpret them by juridical hair-splitting.”

“Political rights do not exist because they have been legally set down on a piece of paper, but only when they have become the ingrown habit of a people, and when any attempt to impair them will meet with the violent resistance of the populace.”

“Where this is not the case, there is no help in any parliamentary Opposition or any Platonic appeals to the constitution.” – Rudolf Rocker