

# The problem with the Cyprus Economy



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In my opinion the biggest problem the Cyprus economy faces, ever since the establishment of the Republic, are the politicians themselves. This may sound extreme to some readers, but this is my honest conviction. The problem with our politicians is not lack of intelligence. The real problem behind our troubles is that these people instead of looking at the economy as a service to the nation they look at it as a service to their own ambitions.

A good example of this it's the way the public sector is managed. In the early 1990s for example, the public sector payroll was around €500million. This year the payroll is expected to be in excess of €2.2billion. What more does the public sector offer to the people today, as compared with the 1990s, which can justify such an increase? The increase in the payroll is in excess of 400%. I am sure that if the economy was run in a businesslike manner the payroll cost would have probably increased by 30% or 50% or even 100% but never 400%. If the economy was run in a businesslike manner the effort would have been to simplify public sector procedures and use of automation to minimise the government costs. Unfortunately, our politicians over the years were in the business of inventing new procedures, in order to justify new positions and do favours in exchange for votes.

I am sure all of us have had dealings with public sector servants at some time in our life. Some of them were actually very good and willing to help. Some couldn't care less and some were unable to help not because they did not want to help but because of lack of ability. My question to our politicians making telephone calls pushing that Mr X is employed by the government, would they employ Mr X

if the government was their own business? Or even more importantly if Mr X, after he is hired, proves to be incompetent for one reason or another would they keep him if the government was their own business? I think not. There are numerous examples that anyone can draw on relating to the mismanagement of the economy. The real point however is what can actually be done to put a stop to this problem. A general idea that exists is that there should be a system in place to move away from the customer type relationships that exists between politicians and voters. The problem here is how it can actually be implemented such an idea on a small island with a closed society like ours.

In my opinion the best way to minimise bad decision making and mismanagement would be to impose a penalty for the politicians that act irresponsibly. Tough parameters could be imposed and if exceeded to bare some kind of penalty. For example the payroll of the state should not be allowed to exceed a certain percentage of the GDP. Another example is the national debt, where the parameters already exist, but they could be accompanied with a penalty.

A more specific idea that comes to mind is in relation to the office of the President. If for example at the end of the presidential term the set parameters are exceeded then he or she should not be allowed to run for president again. The same could be applied to all the ministers where if the set targets for their ministries are exceeded they should not be allowed to run for public office again.

Living in Cyprus and seeing how our political system operates suggestions such as the one above will always remain exactly that, suggestions. Even though it might be a good idea to try to limit the scope of action of the political leaders when it comes to the economy, most likely any suggestions that will force them to act more responsibly will never be voted in. If such suggestions are ever to be considered I will be extremely shocked. I just hope we do not end up copying our neighbours in Greece.