SEEL-Systems Engineering Economics Lab
George Boole Foundation

Real Incomes Objective Price Performance Policy (RIO3P)

A Practical Alternative to Conventional Economic Policy

Hector Wetherell McNeill

December 2025

The Problem: Britain's Imports-Dependent Inflationary Services (IDIS) Economy

Since 1945 the UK has shifted from a balanced industrial economy to one dominated by low-productivity services. Manufacturing and agriculture now employ only ~7 % of the workforce (down from ~40 % in 1973). The result is chronic balance-of-payments deficits, rising national debt, and an economy so dependent on imports it remains vulnerable to cost-push inflation making up much nominal growth.

Key symptoms

- Average annual inflation ~5 % since 1973 a 40 % currency depreciation per decade.
- Real incomes for most households stagnant or falling when adjusted for essentials.
- Public services funded by borrowing rather than increasing the purchasing power of the tax base and revenue.
- Vulnerability to external supply shocks (1973 oil, post-COVID commodities, energy crises)

Conventional policies (Keynesian demand management, Monetarism, supply-side tax cuts, Modern Monetary Theory) have failed to reverse this structural decline. They treat symptoms while leaving the underlying productivity and price-discipline problem untouched.

2. The Solution in One Sentence

Replace corporation tax with a Price Performance Levy (PPL) that automatically pays cash rebates to companies whenever their unit output prices rise more slowly than their aggregate unit input costs — and adds an increased levy when prices rise faster.

3. How It Works: The Price Performance Ratio (PPR)

For each product or service line, calculate the PPR = percentage change in unit output price ÷ percentage change in aggregate unit input costs

PPR Value	Outcome	Effect on company	Macro effect
Less than 1	Prices rise slower than costs or fall	Automatic rebate (cashback)	Real incomes rise – disinflation
Equal to 1	Prices track costs	Base levy paid	Real incomes decline
Greater than 1	Prices rise faster than costs	Increased levy on excess	Real incomes decline accelerates

The incentive is immediate and universal: the fastest way to increase cash in the bank is to raise physical productivity and pass at least part of the gain to customers (B2G, B2B & B2C) as stable or lower prices. Special cases (handled automatically by software):

- If input costs are effectively unchanged but price is cut → large rebate
- If input costs rise but price is still reduced → enhanced rebate (strong disinflationary effort)

4. The Price Performance Levy (PPL) in Practice

Corporation tax is abolished.

It is replaced by: PPL = Base levy + (PPR-adjusted surcharge or rebate).

The base levy is set to be broadly revenue-neutral at the outset.

Rebates are paid into a running real-time balance. Surcharges are deducted from the same balance. All calculations use precise real-time data from standard digital accounting sources.

The process is:

- 100 % paperless
- Real-time or appropriate periods according to sector & baseline technologies
- Fully automated — no extra forms, no manual intervention in normal cases
- Moving-average smoothing for sectors with fluctuating input prices (commodities, energy) to avoid erratic settlements
- Immutable Accumulog (blockchain-style record) kept for every calculation step — invisible in normal operation but instantly available if a company wishes to appeal

Only genuine outliers trigger a quick verification query. Fraud is minimised by design through precise real-time data.

5. Who Benefits and How

RIO3P is designed for the real structure of the UK economy:

- Over 99 % of businesses are SMEs
- More than 75 % are one-person or micro operations, often cash-strapped and struggling with rising costs
- The vital technical and manufacturing core (engineering, food production, construction materials, renewables) represents our route back to balanced, productive growth

These are precisely the firms that gain most from PPR rebates: lower unit costs through innovation or efficiency translate directly into cashback and greater affordability for customers, driving volume demand. Large corporations are treated identically — no special treatment — but the policy's pro-competitive bias favours agile, productivity-focused players over price-gouging incumbents.

Area	Outcome under RIO3P
SMEs & micro-businesses	Immediate cash flow relief via rebates; easier survival and scaling
Real wages & incomes	Rise as essentials become more affordable
Company profits	Can rise faster via volume growth even at lower margins
Inflation	Rapid disinflation and rising real profits/revenue
Trade oriented sectors	Import substitution and exports become the cheapest route to higher cash flow
Public finances	Real purchasing power of tax base increases lowering sector and constituent tax burdens – funding more sustainable
Budget provisions	Progressive evolution from restrictions and deficits to ability to increase fully funded provisions without deficits
Basic essentials (food, water, energy, health provisions)	Targeted first to underpin rapid poverty reduction resulting from falling prices combined with rising purchasing power

5.1 Business Implications: A New, Dynamic Price-Setting Discipline

Under RIO3P, companies retain full freedom to set their own prices — but now within a transformed strategic context. The decision analysis for price-reduction-setting strategies involves different Business Rules to ensure profitability. Pricing needs to explicitly balance desired margins, targeted growth rates, and anticipated market share expansion against the elasticity of demand surge that lower or stable prices can unleash.

After 50 years of low-growth stagnation, many UK firms — especially SMEs — are unaccustomed to rapid demand expansion. Those who prepare carefully to coordinate their investment in capacity and processes ahead of the curve could thrive spectacularly.

On the national growth rate front RIO3P Business Rules include tactics to increase national growth rates by reducing conventional price reduction time frames from up to 24 months planning horizons to real-time implemented decisions today. This compresses the periods required to secure the same rise in price productivity raising the national growth rate well above any recent experience — potentially doubling or trebling a sustained high growth further enhanced through compounding supply-chain effects and the ability of services companies to raise the baseline price productivity levels.

6. Why RIO3P Succeeds Where Others Failed

Policy type	Core lever	Mechanism (instrument)	Reduces inflation?	Rewards unit productivity?	Ends inflation dependency?
Keynesian	Aggregate demand stimulus	Borrowing	No	No	No
Monetarist	Money supply control	Interest rates	Partially	No	No
Supply-side (tax cuts)	Raise disposable funds	Lower marginal tax rates	Partially	Indirectly	No
MMT	Fiscal dominance	Deficit spending	No	No	No
RIO3P	Productivity	Unit-level price-vs-cost discipline	Yes	Directly & by default	Yes

RIO3P empowers individual firms and transactional activities rather than relying on top-down aggregate tools.

7. Suggested Implementation Path

- Legislation — Single Finance Act clause abolishing corporation tax and introducing PPL
- Software rollout — Designed to use standard digital accounting data
- Pilot sectors (suggested): Food & agriculture, construction materials, energy distribution — high visibility, clear unit metrics, large poverty impact
- Phased expansion — 12–18 months to coverage of key sectors
- Independent oversight — Small cross-party commission to monitor revenue neutrality and real-income metrics in Year 1

No rigid top-down directives, no price controls, no new bureaucracy. Just a better-aligned incentive.

8. Next Steps

RIO3P is ready.

The analytical groundwork spans five decades.

The question is no longer whether a workable alternative exists — it is whether decision-makers are willing to adopt one that prioritises real incomes over a continuation of nominal illusions.

For technical specifications, simulation models, or pilot design, contact SEEL via hector.mcneill@boolean.org.uk.