



PEOPLE BEFORE PROFIT ALLIANCE

An Alternative Economic Agenda

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INTRODUCTION

The global economy has been hit by the greatest economic crisis since the 1930s and many millions of people across the world are paying dearly for the failure of capitalism. Even within this general crisis, Ireland is faring much worse than anywhere else. In the recent past right-wing politicians told people that they should cut taxes on the rich, let wealth trickle down, and trust in 'market forces'. As a result of this dogma, the fruits of the Celtic Tiger boom were squandered. Instead of investing in schools, hospitals, social care services and other basic infrastructure, the state looked after their rich friends.

A tight alliance of Fianna Fail politicians, bankers and builders hyped up the property market driving large numbers of people into taking out massive mortgages and high levels of debt. They turned Ireland into a tax haven for multinationals and a place where you could do business with the lightest of 'light regulation'. Now the whole edifice has come crashing down.

But instead of taking any blame for the chaos, the same wealthy elites want to offload the costs of the recession onto ordinary working people. They are seeking to increase Irish 'competitiveness' at the expense of workers and so benefit from the reflationary policies being developed by other countries. While the US and some EU countries are promoting major stimulus packages to revive their economy, the Irish government is focussing on wage cuts, pension levies and social spending cuts as a major mechanism for recovery. This will further depress economic activity.

THE RESOURCES ARE THERE

People Before Profit argue that the resources are there to counteract the impacts of recession on ordinary people. The availability of billions to 'recapitalise' the banks and to relieve them of their toxic assets shows that there is no need for any cuts to health, education or social spending or for wage-cuts or levies. In a series of *Irish Times* articles Fintan O'Toole highlighted the available wealth that could be tapped to pay for the crisis and for the good of society:

Irish individuals made €41 billion in capital gains from investments in land, property and equities in the three years between 2004 and 2007. The same amount, €41 billion, was invested by Irish people in commercial property at

home and abroad between 2001 and 2006. In 2006 Irish people invested €8 billion in overseas property. Even with the slowdown Irish investors put €1.5 billion into overseas property in the first quarter of 2008.

There is a nice pyramid of money, with 330 individuals worth in excess of €30 million, a further 3,000 with a net worth of between €5 million and €30 million, and 30,000 worth between €1 million and €5 million – even when their principal residence is discounted.

Recently economist Tom O'Connor updated these figures to take account of both falling property prices and a revival of earnings from other assets. He estimated that 33,000 Irish millionaires still hold €121 billion in assets - a fall from a high of €156 billion 2006. He also claimed that, in terms of hard cash, they have a whopping €16.5 billion in the bank. However these elites of the rich and super-rich is still a small one, accounting for less than 1 per cent of the population.

Ireland also holds extensive natural resources in oil and gas. The current estimated value of these reserve is more than €450 billion. Yet the state has handed these resources over to foreign multi-nationals such as Shell. No royalties are received from the Corrib find and development costs can be written off against tax. In 1992 corporation tax on oil and gas companies was reduced from 50 percent to 25 percent.

In order to prevent the bulk of the pain for the economic crisis falling onto the shoulders of working people we propose an alternative economic agenda that focuses on a number of key areas.

1. THE BANKING SYSTEM

End the bailouts of the banks and create one good state bank

2. THE CONSTRUCTION INDUSTRY

Create a State Construction Agency and embark on key infrastructural projects to create jobs and stimulate the economy

1. STRATEGIC INDUSTRY

Develop new strategic industries to take Ireland's industrial development forward

4. TAXATION & THE PUBLIC PURSE

Increase taxes on the super-rich to fund the stimulus package by drawing resources away from the Celtic Tiger elite. Stop the attacks on PAYE workers by scrapping the Universal Social Charge

5. THE PUBLIC SECTOR

Expand and re-orient the public sector away from a corporate agenda to serving the broader society

6. PUBLIC SERVICE CUTS

The savage public service cuts should be reversed immediately

7. ENERGY

Take Ireland's natural resources into public control and use them to build upstream industries and develop a more efficient energy system

8. THE KNOWLEDGE ECONOMY

Create the real foundations for a 'knowledge economy' by investing in education and creating new openings for 'second chance' learners.

9. REGULATION

Break from the policy of 'light regulation', which has helped deepen the economic crisis.

10. PENSIONS

Protect workers' pensions from the ravages of 'casino' capitalism.

11. EQUALITY & MULTICULTURALISM

Develop Ireland as a genuinely egalitarian and multi-cultural society that respects human rights and values the contribution of all

1. THE BANKING SYSTEM

End the bailouts of the banks and create one good state bank.

The bailout of the banks is endless. Under the current IMF deal, the Irish people will take responsibility for putting another €35 billion into the banks. We are being forced to borrow this money at excessively high interest rates so that creditors in Germany, Britain and the US can be paid off. **We want to end the bailouts of the banks and stop paying off bondholders. This is private debt and the Irish state has no responsibility for it.** As an alternative, we want to create one good public banking system. This will cost far less and will organise the credit system to eliminate financial speculation and to support job creation.

Ireland has an extravagant financial sector, which has been used to support property speculation on a vast scale. **We will impose a special tax on all speculative financial transactions in order to fund the needs of Irish society.** Instead of a policy of light regulation and support for speculation, a state-run credit system must be available for public projects, job creation, and affordable, sustainable mortgages for first-time house buyers and for small and medium business with genuine cash flow difficulties.

A publicly controlled banking system should be administered by elected representatives of the Irish people, representatives of employees of the banking industry, and trained financial experts employed on public sector pay scales.

Full control of the banking system will also give the state access to the land banks of insolvent developers who cannot pay back their debts. The state can then embark on a proper housing programme based on real planning, rather than the type of chaotic greed-driven development we have witnessed for over a decade. Repossession of the homes should be prohibited for the duration of the economic crisis.

All commercial property vacant for more than six months, and vacant third and fourth houses, should be employed for the housing, educational, medical, childcare and community purposes for the duration of the economic crisis.

2. THE CONSTRUCTION INDUSTRY

Create a State Construction Agency and embark on key infrastructural projects to create jobs and stimulate the economy.

During the height of the boom 14 percent of the Irish workforce were employed in construction. This is an unusually high figure due to the distortion of the Irish economy through property speculation. A reduction of this figure must occur gradually through an extensive re-skilling programme. But the Irish economy needs a major stimulus package now and a state construction agency should be set up to overcome the crisis in the building industry.

The agency should be formed by the consolidation of those construction companies who have been effectively bankrupted by the economic crisis and by the creation of local authority direct building units. With the creation of this state construction company, the government needs to embark on a major public works programme like, for example, in Japan where 7 million workers were employed during their decade-long recession.

People Before Profit believes that a public works programme should be administered directly by this state construction company. The record of the private construction companies in ripping off public funds is appalling. Using 'cost plus' contracts, private builders were responsible for major overruns in state projects. The National Roads authority, for example, experienced a cost overrun of €10 billion in 2004 because of these practices.

Infrastructural development projects for a public works programme should include:

- A fully integrated rail and transport network for major cities. Carbon emissions in Ireland are currently 27 percent over the Kyoto baseline 1990 levels even though its EU permitted levels were supposed to be 13 percent. As transport is one of the major causes of carbon emissions, the development of a public transport system will reduce costs in the long run.
- Unemployed building workers should be employed by the state to rollout a housing insulation programme to reduce domestic energy usage and to tackle fuel poverty.

- National networks of state regulated, publicly owned or franchised crèches, care homes for the elderly, and sheltered accommodation for those who need it.
- A network of primary health care centres with an emphasis on preventative medicine, thus reducing reliance on hospitals.
- An emergency social housing and schools building programme to clear the decades-long waiting lists for accommodation. The programme should include the use of vacant building stock to accommodate the homeless.
- A proper re-cycling industry financed through direct taxation, particularly of wealth.

3. STRATEGIC INDUSTRY

Develop new strategic industries to take Ireland's industrial development forward.

Given the failure of private capital to invest and the calamitous decline of manufacturing to only 13 percent of the workforce, these new industries must be predominantly led by the state. These new strategic industries might include:

- A generic pharmaceutical industry to contribute to the global replacement of big pharmaceutical companies.
- Pioneering forms of technology to support a shift to preventative medicine
- Support for agricultural co-operatives that have pioneered the development of organic food.
- Introduce a body to oversee the Spirit of Ireland energy system. This system will harness Ireland's wind energy by creating large hydro storage reservoirs. It should be fully owned by the state and the Irish people should be guaranteed cheap energy before any is exported.

4. TAXATION & THE PUBLIC PURSE

Increase taxes on the super-rich to fund the stimulus package by drawing resources away from the Celtic Tiger elite. Stop the attacks on PAYE workers by scrapping the Universal Social Charge.

The Irish tax take is the lowest in Europe with government expenditure representing 32.3 percent of GDP as against 64 percent in Belgium or 40 percent in Germany. One of the main reasons for this is because the state does not take resources from the wealthy elite who benefitted from huge state subsidies. Property-based tax subsidies, for example, meant the loss of taxes worth €500 million in 2006.

These subsidies to the wealthy must now be clawed back to fund the stimulus package necessary for the rest of society. Measures to do so should include:

- Reverse recent tax hikes on PAYE workers which were introduced to pay for bank debt. Scrap the Universal Social Charge.
- Emergency legislation should be introduced to eliminate the tax fugitive rule which allows the wealthy to abscond from paying taxes (There were 5,803 tax fugitives in 2008, for example).
- Remove all property based tax incentives.
- Tax all income over €100,000 at a surcharge rate of 70 percent. Index that figure to the real rate of inflation so that PAYE workers will stay out of that surcharge rate in future.
- Eliminate all tax subsidies on private pension funds for those on incomes over €100,000. The gross cost of tax relief on private pensions is €3.2 billion which goes mostly to the top 20 percent of earners. The private pension industry has proved totally ineffective in delivering value for money. It needs to be brought under public control.
- Restore capital gains tax to 40 percent.
- Remove inheritance tax allowances on all large business and large farms.
- Introduce a special 3 percent wealth levy on all income-producing assets and houses except the family home, for those earning more than twice the average industrial wage.

- Remove the €100 million subsidy for fee-paying schools.
- Charge the full price of public hospital care to the private health insurance companies and drop tax relief for private co-location hospitals.
- Redirect Irish taxation policy away from regressive indirect taxes by cutting VAT rates and withdrawing stealth taxes and service charges.
- Move away from Ireland's status as the Atlantic tax haven by increasing tax on corporations. For every 1 percent increase, state revenue grows by €300 million.
- In the immediate term, close off tax loopholes for all firms embarking on redundancy strategies to shore up profits. For example: end tax write-offs used by the bank for leasing arrangements on machinery; bring in claw backs for depreciation allowances; eliminate tax write-offs for past losses; tax fees earned from patents in software and pharmaceuticals; treat all dividends as a form of wealth and impose higher taxes; ban transfer pricing.
- New tax rates of 48 percent on incomes over €70,000 per annum and 70 percent over €100,000. In 2008 the 29,000 people who earned more than €200,000 paid almost €4 billion in income tax on earnings of €13 billion, an effective tax rate of 30 percent. An effective tax rate of 70 percent would have collected €9 billion from them for the public purse.
- No taxes of those below €20,000 per annum.
- All tax shelters, which cost an estimated €84 billion in 2004 should be closed down.
- Scrap the €70 million Horse and Greyhound Fund.

5. THE PUBLIC SECTOR

Expand and re-orient the public sector away from a corporate agenda to serving the broader society.

Private industry in Ireland is increasingly based on a service economy and is concentrated on sectors which are most affected by the recession e.g. financial services. We need to expand the public sector through a policy of nationalisation to make up for the failures of private capitalism:

- Eircom should be taken back into public ownership to facilitate the development of a broadband infrastructure.
- The ESB needs expansion rather than restriction to guarantee a secure, cheap energy supply to domestic users.
- Reverse the cuts on Dublin Bus and Bus Eireann. Re-introduce a comprehensive CIE rail freight service. Both these measures are necessary to reduce reliance on road transport, a major contributor to Ireland's carbon emissions.
- Public Private Partnership cost more and has left tenants who were promised redevelopment high and dry. We need direct provision rather than schemes to further enrich developers.
- This expanded public sector will need to tackle the serious internal problems that have grown as a result of imposing a managerial ethos from the business world that replaces commitment with paper work.

The growth in employment of new layers of management is a direct product of the replacement of a 'trust ethos' for professionals with business techniques which try to 'benchmark' performances of one unit against another. These techniques have led to the development of artificial quantitative measures known as 'key performance indicators', more paper work and, ironically, greater bureaucratisation. Number crunching becomes the measure of 'performance' and not quality of service. The morale of public sector staff has been undermined through constant attacks on public sector efficiency; through the continual pressure to use outside contractors; and through a deliberate holding back of the creative energies of public sector staff.

This situation needs to be changed by:

- Cutting the pay of managerial layers in the public sectors who receive salaries of €150,000 plus. Recruiting people with a commitment to the public sector and a value system that is motivated by an ethos of serving people.
- Reducing the dense layers of management in institutions like the HSE and FÁS and redeploying these staff to more useful work.
- Ending the practice of managerial 'performance bonuses' which are modelled on those given to CEOs in the private sector.
- Ending the reliance on user stealth charges (indirect taxes) as a key mechanism for funding public services
- Encouraging a social rather than a customer ethos that respects our public services and the people who provide and use them.

By building on the commitment of nurses, teachers and public servants to their jobs we can create an institutional structure with regular monthly staff meetings where workers are genuinely allowed to propose changes which deliver better quality services without threats to their own living standards. Staff representatives should be elected to coordinating bodies made up of wider constituencies of elected representatives to oversee the workings of the public sector. Instead of filling state boards with figures drawn from the corporate sector give the elected representatives of the staff a forty percent representation and share the remaining representation between state officials and representatives of genuine services user groups.

6. PUBLIC SERVICE CUTS

The savage public service cuts introduced over the past two years should be reversed immediately:

- The Health and Education cuts and embargos, actual and proposed, should be dropped.
- Equal access to hospital services should be guaranteed irrespective of income and place of residence. No public hospital closures or downgrades.
- A fully funded, adequately staffed and life-long Public Health Service available to all.
- Investment in public hospital beds instead of co-location tax breaks and land grants to for-profit hospitals.
- A primary care system, based on public service and not-for-profit principles, to allow people receive excellent care in their homes and communities.
- Reduce primary school class sizes; reverse the 'special needs' and English language cuts.
- There should be no attempt to re-introduce third level fees.
- There should be no social welfare cuts disguised in tougher entitlement conditions.
- Restore the full subsidy to community crèches.

7. THE RIGHT TO WORK

An active policy to promote the right to work and to prevent a return to the scourge of unemployment should be introduced.

A report by the IMF on the Irish economy admitted that unemployment will persist at the level of 13 percent of the workforce until 2014. This is despite huge levels of emigration. Such levels of unemployment are totally unacceptable.

- The working week needs to be cut to 35 hours while preserving existing pay rates in order to create extra jobs.
- No business declaring profits should be allowed to declare redundancies during the current economic crisis. Workers who occupy their workplaces to save jobs should be fully supported.
- Workers must have a first call as creditors in bankruptcy. Change the law to guarantee workers their pensions.
- Firms that seek to move elsewhere to benefit from cheaper labour costs, must be required to pay back all state grants and tax subsidies. These funds should be used to publicly fund forms of alternative employment for those declared redundant.
- Develop a proper social economy that values work which some label as 'unproductive' because it does not generate profit. A social economy could employ thousands in care work, in developing community activities, in ending the isolation of the elderly and a host of other necessary human activities. Reverse the cuts in Community Employment Schemes and expand these schemes that perform valuable services and help generate a real community spirit.
- In the context of the departure of jobs in multinational firms, not a single public sector job loss, compulsory or voluntary, should be tolerated by the trade unions.
- Large companies facing insolvency should be kept going just as the banks were kept going.

7. ENERGY

Take Ireland's natural resources into public control and use them to build upstream industries and develop a more efficient energy system.

The World Bank has rated Ireland as one of the top seven countries that offer 'very favourable' terms for energy exploration. The tax rate has been cut to 25 percent, yet there is no requirement for bulk discount selling of gas to the Irish people and there are large write-offs for exploration costs. The licence for the Dunquinn Prospect was sold for a mere €11,000 plus an annual rental income of €27 a square kilometre. It is estimated, for example, that Tony O'Reilly will gain more than €1.4 billion from having control of this field and forging an alliance with Exxon Mobil.

The rights to ownership – whatever their legal basis – conflict with the needs of the Irish people for jobs and cheaper and more efficient energy, so we need to take natural resources into public ownership.

- Gas and energy reserves must be immediately taken into state ownership to preserve energy security.
- Surplus from this industry should be used to foster the creation of alternative energy sources such as wind, wave and biomass energy.

8. THE KNOWLEDGE ECONOMY

Create the real foundations for a ‘knowledge economy’ by investing in education and creating new openings for ‘second chance’ learners. Abolish all third level fees and introduce genuine free education for everyone.

The Irish government claims that the long-term answer to the collapse of the Celtic Tiger lies in moving up the value chain and creating a knowledge economy or a ‘smart economy’ based on innovation. These concepts are vague and are drawn from fashionable forms of development theory but the desire of the population to create a research driven scientific culture is real.

However, the current state strategy is woefully inadequate and misplaced. It has failed to invest in proper educational equipment for our young, with only 7 percent of second level schools having a laboratory attendant to help teenagers do science experiments. It has looked for shortcuts by seeking to attract international ‘superstar’ academics to lead research teams staffed overwhelmingly by employees who are kept on precarious roll-over contracts. Much of the research is being tailor-made to the immediate profit-driven needs of multi-national corporations.

To counteract this short-term strategy we propose the following:

- FÁS should be reformed and expanded to re-skill redundant workers on Pay-Related Benefits rates.
- All third level institutions should ensure a target rate of 25 percent intake from mature students to help re-skill the workforce. Universities should be re-organised to end elitist forms of governance and to open them to representatives of the people while guaranteeing academic freedom.
- Abolition of fees for part-time or night courses. Oppose the return of fees to the third level sector generally.
- Proper long-term investment in community-based adult education and training infrastructure and programmes.
- PAYE workers to be allowed build up Return to Education credits guaranteeing free access to education via FETAC and entry access to third level institutions.

- Investment in science through a school laboratory programme and the creation of a full time research cohort in third level institutions and research centres.
- Adoption of a policy opposing intellectual property rules which impedes the progress of science by giving ownership of knowledge to individuals who seek fees for its use.

9. REGULATION

Break from the policy of ‘light regulation’ that has helped deepen the economic crisis.

Sean Fitzpatrick, the chair of Anglo-Irish bank was one of the key business spokespersons for the ‘principles-based’ approach to regulation. In practice, this led to a form of self-regulation of business supported by friendly regulatory agencies staffed by former corporate representatives.

We propose that there be:

- Majority representation on all regulatory agencies of voluntary organisations of civil society such as the trade unions, user bodies, communities, and representatives of the poor.
- A whistleblowers charter to protect workers who reveal corporate crimes and misdemeanours.
- Expansion in the number of inspectors in agencies such as the Health and Safety Authority, the labour Inspectorate, and the office of Director of Corporate Enforcement.
- Large-scale random audits of major corporations to ensure compliance.

10. PENSIONS

Protect workers' pensions from the ravages of Casino Capitalism.

Nearly half the value of Irish pension funds has been written off as a result of speculation and as a consequence workers face the terrifying prospect of substantial loss of benefits.

We propose that there be:

- A pension protection fund created through a levy on employers.
- Mandatory pension contributions by all employers to their employee pension schemes.
- An EU ban on investment of pensions in hedge funds and other forms of speculation.
- Development of special state bonds to receive pension investment and to repay future generation.
- Ending the crazy investment of the National Pensions Reserve Fund in unstable markets would save millions in the both the short and long term. In the first nine months of last year alone, the fund lost €2.5 billion; this is more than the entire €1.7 billion the state put into the fund last year.

11. EQUALITY & MULTICULTURALISM

Develop Ireland as a genuinely egalitarian and multi-cultural society that respects human rights and values the contribution of all.

In recessions, right-wing politicians tend to focus on those least able to defend their interests. The dismantling or downgrading of independent structures put in place to strengthen and protect equality, justice and human rights for all in Ireland has been a particularly nasty feature of recessionary panic-driven government.

Among many vulnerable groups, migrant populations are particularly vulnerable to being scapegoated as the 'cause' of a failing economic system. Migrants are neither the cause of growing unemployment nor the main factor in the attempt to reduce wages. Problems start from state practices that restrict the human and legal rights of migrants, forcing them to seek low paying jobs.

We propose the following:

- All workers to be treated equally for social welfare.
- The organisation of all workers into trade unions and the legal right to union recognition.
- Legislation for equal employment rights for agency workers
- As a base-line step towards ending discrimination, reinstate full independence and proper funding to the Equality Authority, the Human Rights Commission, Combat Poverty Agency and the National Consultative Committee on Racism and Interculturalism.
- End work permits which tie workers to a particular employer

THERE IS ANOTHER WAY

WE MUST ORGANISE AND FIGHT BACK

The trade unions allied to community organisations and campaigning groups should organise a massive movement to resist the attempt to make ordinary working people pay for the crisis. There should be no talk of 'shared pain' for already hard pressed low and middle income people. The Croke Park deal has been a disaster both for workers and for the quality of public services while cutting 17,000 jobs in the midst of a recession is madness. We need a return to strong trade unions that stand up for workers rights.

The unemployed need to be organised again in campaigning organisations allied to the trade unions and community groups. There should be no reduction in CE and social economy jobs or in funding to community organisations.

WE NEED A EUROPEAN WIDE EFFORT

Measures that seek to shift the burden back on to those who caused the crisis and that seek changes to the system behind the crisis will soon run up against the fat cat authorities of the EU. The power of multinational corporations to shift factories and 'the race to the bottom' can only be tackled by new international grassroots alliances.

Therefore any alternative economic strategy will require a Europe-wide effort to get Europe-wide change. Links will need to be made with campaigns, trade unions, environmentalists, global justice and political organisations seeking similar changes across Europe.