

People Before Profit Alliance



AN
ALTERNATIVE
ECONOMIC
AGENDA

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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 the general crisis, Ireland is faring much worse than elsewhere. 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 FF politicians, bankers and builders hyped up the property market driving large numbers of people into massive mortgages and high levels of debt. They turned Ireland into a tax haven for the multi-nationals 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 elite want to offload the costs of the recession onto ordinary working people.

It is seeking to increase Irish 'competitiveness' at the expense of working people 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 believes 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 in health, education or social spending, for *any* wage cuts or levies.

The financial website Finfacts Ireland reported in October 2008 that "Irish investment of €13.9 billion was put into European property deals last year [2007]. In contrast, the Irish business sector does not even get a total of €200 million in venture capital investment" (www.finfacts.com).

This capital was (i) exported and (ii) put into idle property. The conscription of this capital to sustain the public finances would not suppress economic demand because this capital was never used for productive economic activity in the first place. And not all of this wealth has gone in the shares and property crash.

In a series of *Irish Times* articles Fintan O'Toole has highlighted the available wealth that could be tapped to pay for the crisis and for the good of society:

"Irish individuals made €1 billion in capital gains from investments in land, property and equities in the three years between 2004 and 2007. The same amount, €1 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. But this elite of the rich and super-rich is still a small one - it accounts for less than 1 per cent of the population. In 2007, this 1 per cent had an asset base of €100 billion - more than a third of national non-residential wealth

"If we date the Celtic Tiger as running between 1995 and 2007, then over that period the top 1 per cent of the population gained about €75 billion. Those people, not the sick, disabled and poor, should pick up the tab now. "(13 May 2008)

"How can we justify taking €1,300 a year from someone earning €25,000, while, on the same day as the [pension] levy was announced, Brian Lenihan told the Dáil that just one tax shelter - interest relief for landlords - cost the exchequer €1.4 billion in 2006 and 2007, the same sum as that supposed to be raised by the levy? When he also told the Dáil that he has "no plans" to change the regime for so-called tax exiles?"(10 February 2009)

On 13 January this year the *Irish Times* reported:

"CORI director Fr Sean Healy ...questioned the basis for the Government's conclusions that

€16.5 billion in cuts were needed over five years. Fr Healy said that this €16.5 billion was based on the tax-take not rising beyond 30.3 per cent of GDP by 2013. 'This is interesting given the fact that total tax-take in 2007 was 32.5 per cent of GDP...' Fr Healy said that if Ireland's tax take were to rise to the EU average of 37.4 per cent of GDP most of the required adjustments would be achieved".

In 2006 the top 1% of the Irish population enjoyed around €100 billion worth of assets.. and owned 20% of the nation's wealth, according to the Bank of Ireland Private Banking report, *Wealth of Nations*, 2007. Even if, like the world's billionaires in general, this elite lost a third of its wealth in the slump, that would still leave over €60 billion to harness in relieving the public financial deficit.

"...the 1,447 people (0.06% of all income earners) who earned more than €1 million each last year, collectively earned 3.4% of all income. In real figure terms, this small cohort of people earned €3.459 billion in 2008, an average of €2.39 million each (Colm Keena, *Irish Times*, 5th March 2009).

If, due to the emergency, these 1,447 people were to surrender all but €90,000 of this income each for one year the Exchequer would get €2 million from each on average. Or €2.8 billion from them all, instead of the €1.2 billion estimated as paid.

The Corrib gas field was worth up to an estimated €8 billion in 2005. It and the associated fields in the Slyne/Erris basin off the North West coast are worth up to an estimated €50 billion. Yet no royalties are received from the find and development costs can be written off against tax. In 1992 corporation tax on oil and gas companies was reduced from 50% to 25% (Fiosrú, Centre for Public Inquiry, November 2005).

So we propose the following set of measures.

THE BANKS

Nationalise the banks and create a state banking system. Organise the credit system to eliminate financial speculation and to support job creation. Hedge funds, futures, credit default swaps, contracts for difference, and all financial gambling 'products' should be banned, as well as bankers' bonuses for inflating paper profits.

Ireland has a extravagant financial sector, which has been used to support property speculation on a vast scale. Bail-outs, recapitalisation, and nationalisation designed to help the wealthy will cost the country billions into the future and is already reducing Ireland's international credit rating and pushing up the cost of lending.

Instead of propping up entities which are effectively

bankrupt because of property speculation, the state should take the banks into public ownership and re-organise the goals of the financial system.

Instead of a policy of light regulation and support for speculation, a state-run credit system must be available for public projects, job creation, affordable and 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 for the benefit of ordinary people.

Full control of the banking system will also give the state access to the landbanks 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 homeless, for schools and for medical, childcare and community facilities for the duration of the economic crisis.

THE CONSTRUCTION INDUSTRY

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

Fourteen percent of the Irish workforce is 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 reskilling 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. Such are already evident in Japan where seven million workers were employed during their decade-long recession, and in the US where

President Obama has launched a massive stimulus package to re-build US infrastructure.

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 are 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. The Irish government has been forced to buy carbon credits to offset this surplus which is estimated to cost €900 million over five years. 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.
- A housing insulation programme to reduce energy usage.
- National networks of state regulated, publicly owned or franchised crèches, care homes for the elderly, and of sheltered accommodation for those who need it.
- A network of primary health care centres with developed preventative medicine systems, thus reducing reliance on hospitals.
- An emergency social housing and schools building programme to clear the decades-long waiting list 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.

STRATEGIC INDUSTRY

Develop new strategic industries, which 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 will be predominantly state led.

These new strategic industries might include:

- A generic pharmaceutical industry to contribute to the global replacement of big Pharma.
- Pioneering forms of technology to support a shift to preventative medicine
- Support for agricultural co-operatives which

have pioneered the development of organic food.

- The operation of closed factories by their workforce to produce goods people really need.

TAXATION & THE PUBLIC PURSE

Increase the tax base to fund the stimulus package by drawing resources away from the Celtic Tiger elite.

The Irish tax take is the lowest in Europe with government expenditure representing 32.3 % of GDP as against 64% in Belgium or 40% in Germany.

There are now clear limits to which the Irish economy can continue to borrow. The resources for a stimulus package must therefore come from an increase in the tax base.

Over the past decade state policy led to an erosion of the tax base as the political elite followed an aggressive neo-liberal model. The principal beneficiaries were a wealthy elite who increased their income by a staggering €1 billion in the last years of the boom. These layers benefited 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:

- Tax all income and profits equally as sought by the Irish Congress of Trade Unions.
- Emergency legislation to close the tax fugitive rule which allows the wealthy to abscond from paying taxes (There were 5,803 of them in 2008).
- 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 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% of earners.
- Restore capital gains tax to 40 percent.
- Remove inheritance tax allowances on all large business and large farms.
- Introduce a special 3% 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 (in 2007) subsidy for fee-paying schools.
- Charge the full price of public hospital care to the private Health insurance companies and drop tax relief (at a potential cost of €400 million) for private co-location hospitals.

- Re-direct 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 supporting European- wide moves to increase tax on corporations.
- 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 clawbacks 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 punitive taxes; ban transfer pricing.
- New tax rates of 48% on incomes over €70,000 per annum and 70% 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%. An effective tax rate of 70% would have collected €9 billion from them for the public purse.
- The 20% rate should be left as is and there should be no taxing of those below €20,000 per annum.
- All tax shelters, which cost an estimated €4 billion in 2004 should be closed down.
- Scrap the €70 million Horse and Greyhound Fund.

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 (PPPs) cost more and have left tenants promised redevelopment high and dry. We need direct provision rather than schemes to further enrich developers.

But an expanded public sector needs to tackle serious internal problems that have grown as a result of imposing a managerialist ethos from the business world and a new bureaucratisation that replaces commitment with paper work.

Managerialism – 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 lead 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', 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 the CEOs of the business world.
- 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.
- Building on the commitment of nurses, teachers and public servants to their jobs by creating an institutional structure with:

a) regular monthly staff meetings where workers are genuinely allowed to propose changes which deliver better quality services without threats to their own living standards;

b) the election of staff representatives to coordinating bodies made up of wider constituencies of elected representatives to oversee the workings of the public sector. Instead of staffing agencies 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.

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 tax rate has been cut to 25 percent; there is no requirement for bulk discount selling of gas to the Irish people; 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.

PUBLIC SERVICE CUTS

The savage public service cuts should be reversed immediately.

- The Health and Education cuts and embargos, actual and proposed, should be dropped.
- Equal access to hospital services 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.
- No to the re-introduction of third level fees.
- There should be no social welfare cuts disguised in tougher entitlement conditions.
- Restore the full subsidy to community crèches.

THE RIGHT TO WORK

An active policy to promote the right to work and to

prevent a return to the scourge of unemployment.

On the basis of current policies, unemployment is set to rise to fifteen or sixteen percent in the coming year and will stay persistently high for years to come. 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 give workers a guarantee of their pensions.
- Firms which 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 on care work, on developing community activities, on 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.

THE KNOWLEDGE ECONOMY

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

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% 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:

- Expansion of a reformed Fás to re-skill redundant workers on Pay-Related benefits Rates.
- All third level institutions to ensure a target rate of twenty five percent intake from mature students to help re-skill the workforce. Universities to 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.

REGULATION

Break from the policy of ‘light regulation’, which has helped deepen the economic crisis. Impose strict regulation to ensure that private business conforms of measures to alleviate the 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.

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 workers face the terrifying prospect of a 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 a special state bonds to receive pension investment and to repay future generation.
- End the crazy investment of the National Pensions Reserve Fund in unstable markets and save millions. In the first nine months of last year alone, the fund lost €2.5 billion - more than the entire €1.7 billion the state put into it last year !

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 which 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

ORGANISE THE FIGHTBACK

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.

A so-called Social Solidarity Pact now can only be based on ICTU acceptance of public spending cuts and even a modified pension levy and standing down the movement of resistance that is only beginning in the unions.

Pay rises corresponding to the national agreement should be paid as a minimum floor. Unions and shop stewards should be able to make claims when needed. Rather than wage freezes and cuts on working people there could be **price and rent controls, a ban on mark-ups above 10% and the capping of professional fees.**

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.

A EUROPE-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. So an 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.

The neo-liberalism of the Lisbon Treaty will only give oxygen to the neo-liberal economics that has created the crisis.

REAL CHANGE AND A NEW LEFT ALTERNATIVE

A new left political alternative is more urgent as every day passes. The People Before Profit Alliance is aiming to build that alternative and also to reach out to others on the left. Those on the radical left and independent activists need to put aside their differences and come together in campaigns, electoral alliances and a new political movement.

The crisis is by no means confined to Ireland despite the home focus of the media. The crisis is the result of an economic system which is based on a great contradiction. There is huge dependence of people on each other across the world, through the global system of production, for the goods needed to maintain our livelihoods.

Yet control lies in the hands of privileged groups who compete, speculate, gamble with funny money and exploit the rest of us. There is only one answer to that: to struggle to take control of the means of creating wealth into the hands of all the people, so that cooperation to produce things we need replaces competition for profit.

Only then can consumption and investment be kept in line with each other so as to stop crises of overproduction. Only then will we end the absurdity of poverty in the midst of plenty, of people having to consume less because too much is produced. Only then can we put democratic planning in the place of frenzied gambling with people's houses, jobs and debts.