⇨ build homes

⇨ create jobs

⇨ restore public services

for a recovery for the

99%

take
on the
1%

www.antiausterityalliance.ie

Executive Summary

The stability and recovery that the government has created is for the 1% – the bankers, bondholders and major corporations. No real recovery exists for the majority. The purpose of this Anti-Austerity Alliance budget statement is to outline how Budget 2016 could serve to reverse the inequality that has been worsened in the course of the crisis and how resources could be used to deal urgently with the housing crisis, restore public services and create decent jobs.

This Executive Summary outlines the various measures of increased expenditure and revenue/savings proposed in our budget statement. The measures as outlined would produce an increased revenue over expenditure of €3.6 billion. That is equivalent to the €3.6 billion deficit[1] forecast for 2016, which would result in no borrowing requirement for 2016.

INCREASED EXPENDITURE:

- ➪ Acquiring 15,000 vacant housing units: €1.5 billion
- ➪ Construction of 33,000 homes: €3.3 billion
- ➪ These housing projects to be funded by €3 billion available to NAMA for development and €2 billion from the Ireland Strategic Investment Fund
- ➪ Reversal of Rent Supplement cuts: €16.5 million
- ➪ Other public investment projects: €3 billion
- ➪ Abolition of water charges and investment in water infrastructure: €636 million
- ➪ Abolition of USC for those earning under €35,000 and halving it for those between €35,000 and €70,000: €2.1 billion
- ➪ Abolition of the Local Property Tax: €440 million
- ➪ Restoration of health spending to 2008 levels: €2.9 billion
- ➪ Restoration of education spending to 2008 levels: €0.9 billion
- ➪ Reversal of cuts to social welfare, telephone allowance, child benefit, One Parent Family Payment and others (listed in document): €2.1 billion
- ➪ Reversal of Haddington Road cuts: €212 million
- ➪ Increase overseas development aid to 0.7% of GNP: €500 million

▶ **Total increased expenditure (excluding housing investment which is proposed to be funded by NAMA and Ireland Strategic Investment Fund funds): €12.8 billion**

INCREASED REVENUE / SAVINGS:

- ➪ Saving of interest based on reduction of debt to GDP to 50%: €3.5 billion
- ➪ Introduce a Financial Transactions Tax: €1 billion
- ➪ Enforce the headline 12.5% rate of corporation tax as the effective minimum rate: €2 billion
- ➪ Increase Employers' PRSI by 5%: €3 billion
- ➪ 10% increase in effective rate of income tax paid by top 10% of earners: €2.7 billion
- ➪ 2% Millionaires' Tax on wealth: €2.7 billion
- ➪ Cuts to corporate welfare of 10%: €1.5 billion

▶ **Total increased revenue / savings: €16.4 billion**

Introduction

The recovery shouted from the rooftops is a recovery for the few, at the expense of the many. That's why 62% of people say they haven't felt the benefit of the recovery.[2]

Impressive headline growth rates are based to a large extent on distortions in Irish economic statistics, because of multinational corporations (MNCs) that are headquartered in Ireland and route profits through Ireland, as well as so-called contract manufacturing, whereby goods produced in China or elsewhere for a MNC headquartered in Ireland count as Irish exports.

The real picture is not one of substantial recovery but rather of marginal real growth, based overwhelmingly on exports. The domestic economy is largely experiencing continuing stagnation, rooted in particular in ongoing low levels of investment by the capitalist class, while gross profits have recovered to higher than pre-crisis levels through attacks on wages and conditions.

What's more, the crisis in China contains within it the seeds of another wave of world capitalist crisis, which would badly affect the Irish economy.

The domestic economy remains weaker than pre-crisis – with government expenditure, personal consumption and investment all still lower in the second quarter of 2015 than the last quarter of 2007.[3] The crisis of investment continues, with gross capital fixed formation in 2014 35% down compared to 2007.[4] This is significantly worse than across Europe, where on average investment is down 15%.[5]

What recovery exists is all going to the rich and super-rich. The bondholders continue to get paid for debts that were never our debts, to the tune of €7 billion per year. Corporations' profits are now higher than pre-crisis, up 8%[6], while they are up 37% from 2008.[7] The accumulated wealth of the super-rich has steadily increased throughout the crisis – with the 300 richest people going from €50 billion in 2010 to €84 billion now.[8]

There is a recovery for them, without question.
For us, for working class people, for the majority of young people, unemployed people, pensioners and small farmers – there is no recovery.

The crisis has been used as an opportunity by the government and the capitalist class to restructure the economy and society further in the interests of the 1%. It has been used to fatally undermine vital public services – with the resulting crises in health and education. It has been used to drive a privatisation agenda – privatising the majority of Bord Gais, completing the privatisation of Aer Lingus and driving towards privatisation of public transport. It has been used to drive down wages, with unit labour costs down 23% since the end of 2008[9] and to encourage the normalisation of working for free through schemes like JobBridge, Gateway and First Steps.

This recovery for the 1% is to be built on the continued and intensified robbery of working class people. The new normal is increased exploitation of workers. The new normal is dangerously underfunded health and education services. The new normal is a consistent vilification of the unemployed.

The true nature of the 'recovery' is epitomised above all in the housing crisis engulfing the state. A fire-sale of NAMA assets is ongoing, which results in super-profits for vulture funds, as they buy cheap from NAMA and quickly sell on. Meanwhile, this government has built less council housing than any government in the past 45 years. It has also permitted landlords to increase rents at will. Dublin rents are now barely off their 2007 peak and have increased by 30-40% since this government came to office[10]. The government remains wedded to the private market to resolve the situation, even though it is abundantly clear that it cannot deliver. The result is that the 'tsunami of homelessness' warned about by Peter McVerry has arrived – together with tens of thousands on the precipice of homelessness.

The reality is becoming clear – recovery for the 99% will never arrive if we continue to allow society to be run in the interests of the 1% by the representatives of the capitalist class. The label 'recovery' is simply slapped on the same old austerity policies and the wealthy will continue to accumulate at the expense of the rest. A fundamental socialist transformation of our society is needed. The wealth and resources exist to deal with all of the ongoing problems created by the crisis, they simply need to be taken into the ownership and control of the majority.

The purpose of this Anti-Austerity Alliance budget statement is to give an illustration of how things could be organised differently – how the wealth exists to provide decent living standards for all. While the government is preparing a budget that will likely give the greatest benefit to those on €70,000 a year and upwards, this statement illustrates how, with anti-capitalist and socialist measures which take on the power of the 1%, a real recovery could be delivered for the 99%.

This is not simply a matter of tweaking with elements of the system here and there. A rupture is needed – from the domination of austerity, neo-liberalism and the 1%. Breaking with austerity and the rule of the 1% inevitably means breaking the rules of the Eurozone, EU and capitalism and a clash with the European Commission and European Central Bank. Such a confrontation is unavoidable for any government that puts people's needs before the interests of the bankers and bondholders. Those rules can and must be broken. In doing so, a blow is struck for working people across Europe for another Europe – a democratic and socialist Europe for the millions, not the millionaires.

State Investment to End the Homelessness Epidemic & Solve the Housing Crisis

The number one priority for the government should be to immediately end the epidemic of family homelessness and start solving the broader housing crisis. This means immediate emergency measures to stem the tide of homelessness, providing adequate emergency accommodation for all those currently homeless and acquiring tens of thousands of vacant houses and apartments to immediately increase the social and affordable housing stock.

90,000-130,000 households are on the housing list. In addition, there are another 88,000 households who are not on the housing list despite living at the mercy of private landlords on various privatised 'social housing' schemes, such as Rent Supplement. A housing policy designed for people's needs not profit would therefore have to provide permanent council housing for 178,000-218,000 households just to meet current demand. At the upper end, this works out at nearly 600,000, or 1 in 8, people.

Affordable rental accommodation is also urgently needed for all tenants. The numbers renting have risen by 240,000 in 18 months[11] because successive governments have failed to build enough council housing, household incomes are down 20% since the crash, and house prices are rising again. Rents are up nearly €150 a month in the last two years so the average renter is forced to spend a third of their income on rent. The situation is even worse in Dublin.

Emergency measures to end the homelessness epidemic

707 homeless families and 1,318 children are homeless across the state – a 76% increase since January[12]. This should be declared a national emergency and the government should take urgent measures to tackle it.

The government should immediately reverse the cuts to Rent Supplement, which have been the leading direct cause of homelessness. A recent report commissioned by the government estimated that increasing Rent Supplement to cover market rents would cost only €16.5 million[13]. The government's usual line is that this would cause landlords to increase rents but given rent controls are reportedly being introduced, this can no longer be an excuse. The government should also amend the Residential Tenancies Act to close loopholes that allow landlords to evict tenants simply by claiming they want to sell the property or give it to a relative and it should ban the banks from evicting tenants from repossessed buy-to-lets.

An emergency alternative for those currently forced to 'self-accommodate' in grotty hotels and B&Bs would be to take over suitable NAMA-controlled hotels for secure short term emergency accommodation. NAMA has appointed receivers to hotels in Dublin that between them have over 1,000 rooms[14]. These could be refurbished as necessary to ensure full access to cooking and laundry facilities, with free school transport for children. Temporarily using a small number of NAMA hotels as emergency accommodation rather than running them for profit would have no appreciable impact on NAMA's accounts.

All remaining completed NAMA residential properties should be turned over for social and affordable housing. Unfortunately, most appear to have been sold off by now so this would provide relatively few units. The state must also look elsewhere for vacant properties to acquire for social and affordable housing. For example, a block of 100 holiday apartments recently went on sale in Dublin city centre for €22m[15]. This could immediately house 100 homeless families rather than waiting for modular housing to be planned, tendered for and constructed. Acquisitions could also form part of the long term solution to the housing crisis.

A significant number of vacant properties exist in the state. 230,000 habitable vacant houses and apartments were identified in Census 2011[16] - not including holiday homes or derelict or unfinished housing. 43,000 of them were in Dublin. Given the Central Statistics Office (CSO) estimates a population increase since of around 50,000 people – no more than 25,000 households – with 30,000 extra people and no more than 15,000 extra households in Dublin, much of the 2011 vacant stock remains empty. This means the housing crisis is a problem of distribution as well as supply: too much housing is in too few hands and should be redistributed. In some areas, the housing list could be completely cleared without building any new homes. Donegal has nearly 2,500 households on its housing list[17] but 13,360 empty houses and apartments were recorded in the last Census [18].

The aim overall should be to acquire 46,000 vacant houses and apartments. This would provide a significant amount of social housing in the short to medium term while a major council home building programme gets underway. At an average cost of €100,000 per unit, this would require an investment of €4.6 billion. Compensation for owners could vary according the original purchase price, outstanding loans, economic needs etc. This could take place over a three year period, meaning that in 2016, 15,000 houses could be acquired at a cost of €1.5 billion.

Build 100,000 council homes to clear the housing list

The AAA proposes a major programme of council house building to provide 100,000 new homes. Together with redistributing vacant stock, this would clear the housing list by 2018. Nearly 90,000 private houses and apartments were built in one year in 2006 so rapid construction on this scale is clearly possible if the political will, resources and planning capacity are in place to support it.

NAMA remains the largest landowner in the state and should be repurposed as a social and affordable housing agency. Changing its remit to solving the housing crisis – rather than contributing to it by hoarding land to drive up property prices and then selling it off to vulture funds and rack-renting Real Estate Investment Trusts (REITs) – could make a huge difference. All sales should be halted immediately and NAMA's books opened up to allow full public scrutiny of all loans and properties. This would enable a rational democratic plan to clear the housing list and provide affordable accommodation for all to be developed.

Adopting such an approach would mean suspending redemptions of the remaining NAMA bonds. This would have no immediate effect on the banks' balance sheets but similar to the demand for a debt write-down would face opposition from the European Central Bank, which has insisted on the NAMA fire-sale to ensure it gets its money back from the Irish banks as quickly as possible[19] irrespective of the social cost. New build social housing units are currently costing an extortionate €180,000 per unit[20] when delivered by private developers and builders for profit. The savings from eliminating this profiteering would be immense. During the bubble, between landowners, developers, banks and builders, profits accounted for well over half the cost of a new home. Land costs alone increased from around 15% of the price of a new house to 40-50% and one of the largest construction companies had a profit margin of 41% in 2006! Not much has changed. Developers still expect a 40-50% profit margin over 3-5 years[21] and involving them can double the cost of a new house [22].

Using NAMA and other state-owned lands would significantly reduce land costs and publicly-owned construction companies could build the housing at cost, in the process providing tens of thousands of jobs on decent pay and conditions. A third element of cost reduction would come from eliminating the high interest rates on development loans charged by banks and investment funds. These previously created huge bank profits based on irresponsible lending and inflated a giant property bubble. Financing housing through state investment and a public banking system would end this dangerous boom and bust cycle, which is part and parcel of capitalist property markets the world over.

Removing all these layers of profiteering could reduce the average cost per unit to €100,000 or less, requiring a capital investment of €10 billion from 2016-2018.

The funds for this building programme (€3.3 billion in 2016) and the acquisitions programme of vacant properties (€1.5 billion in 2016) should come from the following sources:

➪ NAMA has €3 billion in cash available for development [23] but is spending most of it on developing office space and luxury apartments in the Docklands. It also recently sold off Dundrum Shopping Centre for nearly €2 billion and expects to raise upwards of €4 billion from selling off overseas properties.

➪ €2 billion of the remaining €6.1 billion in the Ireland Strategic Investment Fund (formerly the National Pension Reserve) should be directly invested rather than lending it to developers. This would be repaid over time through increased income from council rents.

- **Reverse Rent Supplement cuts: €16.5 million**
- **Acquire 15,000 vacant properties: €1.5 billion**
- **Build 33,000 homes: €3.3 billion**

Rent Controls & Reversing the Reliance on Private Landlords

Acquiring and building tens of thousands of social and affordable homes would reduce rents by decreasing demand for private rented accommodation. However, rent controls are also needed to immediately reduce rents. No one should have to spend more than 20% of their income on rent. This can also be achieved through eliminating profiteering by landlords and the banks they borrow from.

Currently, rental income does not cover loan payments for nearly half of landlords[24] and there are 31,500 buy-to-lets in arrears[25], including 16,000-17,000 in long term arrears with AIB, PTSB and BOI. A recent survey found 29% of landlords (approximately 50,000) want to sell their property 'as soon as they can'[26] with many of them holding onto their properties because they are in negative equity or are hoping prices will return to bubble levels – which would be disastrous for housing affordability. The state should take this opportunity to acquire suitable buy-to-lets in arrears and negative equity by instructing banks to write off the debt and hand over the property for social and affordable rental housing. This would be similar to the historical model of council housing in providing affordable rental housing for large numbers of employed workers on a non-profit basis. AIB alone is on course to make €2.5 billion profit this year[27], which would easily cover writing off several thousand of its 9,000 buy-to-lets in arrears over 90 days.

Landlords could be incentivised to co-operate through controlling rents and abolishing the tax breaks that make landlordism financially viable. The annual cost of the limited number of property-related tax breaks for landlords, developers and commercial property investors for which figures are available comes to over €200m[28]. However, this excludes some of the most expensive tax breaks, such as mortgage interest relief for investment properties and exemptions from capital gains tax, corporation tax and DIRT that enticed REITs into the Irish 'market'. The €400 million in cash subsidies to landlords could also be phased out as more council housing becomes available.

The final ingredients in the housing crisis are the mortgage arrears time bomb and house prices that are still much too high relative to wages. Addressing this will require democratically controlling the banking system in the interests of the majority. As with wresting the rental market out of the control of the same class of landlords and property investors that dominate the wider economy and the Dáil, a mass movement of workers, young people and the unemployed will be needed to bring this about.

A Democratic Public Banking System to Write Down Mortgages and Fund People's Needs not Profit

AIB[29] is 99.8% state-owned, PTSB is 75% state-owned[30], and the state has a 15% shareholding in BOI. This means the government has full control of AIB, de facto control of PTSB and significant influence over BOI – it just chooses not to use it. It also gives it huge power to cut mortgage rates, but a far better approach would be to write down owner-occupier mortgages to affordable levels, which would also help to reduce house prices overall.

This would be a complete reversal of the current government's policy, which in deliberately encouraging prices to rise serves the interests of bankers, developers, landlords and large property-owners not the working class.

All this is happening in a context where the state is pressuring the banks to repossess people's homes. Now house prices are rising again they can turn a profit by making people homeless rather than losing money from selling properties in negative equity. So as negative equity ends, 50,000 repossession proceedings have been initiated[31] and 31,000 owner-occupiers face a serious threat of losing their homes[32].

To address this, the government should instruct AIB and PTSB to write down owner-occupier mortgages to affordable levels. Private banks that refused to follow suit could have their licenses withdrawn and the mortgages transferred to state-owned banks.

However, now the banks are back in profit rather than making massive losses to be imposed on taxpayers, the government's plan is to sell them off. Instead of privatising a banking system that cost us so much to save, the state should use its remaining ownership of AIB, PTSB and BOI as the basis for a publicly-owned banking system to fund people's needs not profit.

There is currently around €155 billion in customer deposits in the Irish banks[33]. This could be invested in housing and other areas of economic and social need to produce a steady return based on rents or productive income streams. In this way, funds could be continuously recycled for re-investment at low interest rates.

This would also eliminate profiteering by private banks, which condemns millions of workers to debt peonage, forever paying off credit card bills at exorbitant interest rates or 35-40 year mortgages that can double the cost of a home.

Repudiate the debt

Interest payments on the national debt, which ballooned as a result of the banking crisis and austerity, are the fourth biggest item of expenditure on a yearly basis – after social protection, health and education. In 2016, it is projected that €6.75 billion will be spent on this, a figure that rises towards €7 billion in coming years.[34]

The general government debt to GDP figures now show a downward trajectory, and the government is telling everyone who will listen that Irish debt is "sustainable", in contrast to Greek debt. The truth is that while official debt to GDP has declined to 105% in the first quarter of 2015, the majority of that decline relates to the new method of calculating GDP. The actual debt burden appears significantly higher when using the Fiscal Council's hybrid measure of GDP and GNP, which puts it closer to 120%.[35]

The net effect is that while public services and investment in housing continue to be starved of funds, money is shovelled to bondholders on a yearly basis. Over 10% of total government revenue is used to pay the interest on this debt – one in every ten euros raised by the state is funnelled to bondholders.

Without those interest payments, the state is forecast to have a primary surplus next year of close to €3 billion[36], meaning it raises more in tax than it spends on public spending. The reason a deficit continues is because of the close to €7 billion paid in interest.
The vast majority of this debt, which continues to act as a straitjacket for austerity, is not 'our debt'. It is debt that arises from the banking collapse and the disastrous decision to bail out the banks. In 2007, the debt to GDP ratio was 25%, today it is 105%. The report of the Comptroller & Auditor General set the total cost of the banking crisis at €60 billion.[37] That directly accounts for almost 40% of the increase in the level of general government debt. However, the increase in the debt related to the bank bailout goes well beyond that – considering the collapse in the economy that resulted from the banking and capitalist crisis and subsequent decline in tax revenue.

The SYRIZA government in Greece raised the need for a European Debt Conference, with a dramatic restructuring and effective write-down of debt – reducing Irish debt to 50% of GDP. This would have saved around €3.7 billion in interest per year. In response, the Irish government shamefully stabbed the Greek government in the chest and the Irish people in the back by not only refusing to support it, but working actively to undermine it. In fact, Minister for Finance, Michael Noonan was to the fore in calling for a more aggressive approach by the European Central Bank to bring the Greek government to heel. The calls for debt relief by the Greek government were ignored by the Troika and the Greek and Irish people continue to be burdened with unsustainable debt. Ireland has the second highest government debt per capita in the OECD, at €62,531 per person in 2014[38].

A Left government in Ireland would demand a negotiated write-down of debt to a sustainable level. However, if as the Greek experience indicates seems likely, it did not have success at the negotiation table, it would then turn to the option of repudiation.

An immediate moratorium would be placed on all debt payments – both interest and principal, while a democratically constituted debt audit commission would investigate the nature of the debt. This debt audit commission should consist of representatives of working people, who have so far been forced to shoulder the burden of paying it, trade unionists and left-wing economists and international experts. It should investigate the odious debt and adjudicate who would be paid – those with genuine proven need.

Because of the secrecy which surrounds the identity of the creditors, it is not possible to say in advance exactly how much debt would be written down. However, previous work that has been done indicates that the vast majority of debt is not owed to ordinary households, but rather to banks and financial institutions, largely located outside the state.[39] Currently, 59% of government bonds, which make up almost half of total government debt, are held outside the Irish state[40], and another 33% consists of 'programme assistance' linked to the EU-IMF programme.[41]

It is reasonable to estimate that such a debt audit repudiation would result in a reduction of the total debt to at most 50% of GDP. That would reduce interest payments on the debt by more than half – saving €3.5 billion in 2016 and onwards.

▶ **Repudiate odious debt – saving €3.5 billion.**

Public Investment, Jobs and Decent Work

The continuing low levels of investment in the Irish economy speak to the lack of a significant recovery in the domestic economy. In 2014, Gross Fixed Capital Formation was €36.2 billion, down from €48.7 billion in 2007.[42] While it is an increase from the low point of €30.3 billion in 2010, it continues to lag behind the European average of investment as a percentage of GDP.

This is a statistical confirmation of the reality that the private sector still has not, and will not, provide the investment necessary for the creation of a an economically and environmentally sustainable recovery. A consequence is the continuing high level of unemployment. For all the government's rhetoric about a recovery in job numbers, the reality remains very different.

The number of people employed in the economy is 1.96 million.[43] That compares to a height of 2.17 million pre-crisis. While the numbers in employment have increased from the lowest point of 1.83 million in the first quarter of 2012, at this rate of growth it will take over five years to reach the pre-crisis level of employment – hardly the strong recovery that the government likes to suggest. The decrease in the rate of unemployment has more to do with significant net emigration than a serious strategy of job creation.

Those jobs that have been created are often low paid, involve short-term contracts and are precarious. The result is that Ireland is now in the second position in the OECD when it comes to the percentage of low paid jobs, just behind the US.[44] There has been a significant rise in the percentage of part-time workers.[45] In tandem with that is a high level of underemployment – of workers in part-time jobs who would like more hours.[46] In pushing JobBridge, Gateway and First Steps schemes – which normalise the idea of working for free and drive down wages and conditions for all, the government is aggressively driving this process.

This failure of the private sector to invest – which is mirrored, although to a lesser extent, across much of Europe – is a damning failure of reliance on the private market. It points to a fundamental flaw within capitalism – which is that the capitalist is not concerned with providing decent jobs or creating a sustainable recovery, only in reaping a profit as quickly as possible. It shows the need to move to a socialist economy, with public ownership of the key sources of wealth, under democratic control of working people, and planned in the interests of the majority. In that way, the environment and people's futures could be safeguarded.

The government's capital expenditure plan for 2016 to 2021, Building on Recovery, represents a stagnation in the level of public investment. The amount of €27 billion over six years in fact represents only 1.9% of GDP, only 0.1% of an increase over public investment in 2015. That is an annual increase in public investment of less than €250 million – a figure which should be measured against the government's promised €750 million in tax cuts for 2016! This remains significantly lower than the long-term average of 3.5%.[47]

Significantly greater public investment is needed. Ending mass unemployment and youth unemployment requires public investment in a 'RealJobs Programme' that would invest directly to create jobs. The state should not only be willing to employ people in public services, but rather should also invest and create jobs in 'wealth creating' sectors of the economy – construction, communications, natural resources.

Research published by the Nevin Economic Research Institute (NERI)[48] suggested that for each €1 billion of investment stimulus, approximately 16,750 jobs (an average of between 8,000 and 12,000 directly and the remainder indirectly) would be created. However, the net cost of such a €1 billion investment would only be €575 million, owing to greater tax revenues as a result of higher GDP. An investment of €3 billion in 2016 as part of a three year investment programme could create 50,000 jobs (30,000 directly and 20,000 indirectly).

This is in addition to the €3.3 billion home building programme proposed above.

Such a project would have to be based on a democratic discussion and a plan to ensure balanced regional and environmentally sustainable development. An illustrative example of the kind of direct jobs that could be created would include:

- 10,000 workers/apprentices in a major public works programme of replacing all non-compliant water mains throughout the state; developing a national rainwater harvesting programme; developing sustainable urban drainage and completing all necessary flood relief systems; replacing or upgrading all cesspits, septic tanks prioritising connections to effluent treatment plants in rural areas; retrofitting all public buildings with insulation and proper ventilation. Also to develop public transport, broadband and tourism infrastructure, community and primary healthcare, education, arts and culture projects, renewable energy projects, agri-food and forestry.

- 5,000 childcare workers to operate publicly owned crèches and 5,000 Special Needs Assistants (SNAs) and Resource Teachers to meet educational needs

- ➪ 10,000 workers to be employed in developing Ireland's wind and wave energy sector to its potential. The jobs potential of the renewable energy supply chain in relation to development of our ports, marine services, fabrication of towers, blades and offshore platforms, foundations, subsea cables, engineering services and may other areas will not be realised if left to the private sector.

In order to overcome the collapse of investment, major projects of public investment alone would be insufficient. What is needed is for the key sections of the economy (e.g. construction, transport, energy, major industries) to be taken out of private ownership, where investment decisions are based purely on short-term profitability, regardless of the cost for workers and society generally. With genuinely democratic public ownership, a democratic plan of investment could be developed to ensure environmentally, socially and economically sustainable growth.

Together with this project of major public investment is the need for decent work to be guaranteed. The 'living wage' of €11.50 per hour should be immediately made the minimum wage, so people can survive. Workfare schemes like JobBridge, First Steps, Tús and Gateway should be ended – and replaced by a RealJobs scheme, involving a reversal of cuts to education, investment in apprenticeship schemes, and the job creation programme outlined above. Zero hour contracts should be banned, banded hours contracts should be introduced and the EU Directive on Part-Time Working should be implemented immediately to allow part-time workers to get full-time work in their company when hours become available.

▶ A public investment scheme of €3 billion to directly create 30,000 jobs.

Scrap Water Charges and Irish Water – Invest in public water infrastructure

Water charges and Irish Water should be immediately abolished, with a refund of those who have already paid. Water infrastructure should be brought back into the control of local councils and co-ordinated by a National Water Authority. The investment promised by Irish Water has not materialised, and in fact, water charges are not raising any money whatsoever for investment.

Even though Irish Water has now failed the Eurostat test, the model upon which it is predicated is off-balance sheet financing –which means raising money on the private market at rates higher than would be paid by the state. Already Irish Water has borrowed €850 million from private banks at undisclosed interest rates.[49] Its own investment plan only contains provision for €1.77 billion of investment in capital infrastructure from 2014 to 2016.[50] Significantly more is needed to deal with historic underinvestment and roll out a programme to replace lead pipes. Investing €1 billion a year would require an additional €400 million per year from 2016.[51]

- ➪ Abolish water charges: Cost of €274 million[52]
- ➪ Abolish the water conservation grant: Saving of €130 million[53]
- ➪ Refund those who have paid water charges in 2015: €92 million[54]
- ➪ Invest €1 billion a year in capital infrastructure: an increased cost of €400 million.

▶ Total cost of abolishing water charges and investing in water infrastructure: €636 million

Taxation Justice

A frequent refrain from the government and right wing economists is that Ireland's tax system is among the most progressive in Europe. As Fintan O'Toole correctly pointed out in a recent column[55], the figures they quote to back this claim up are income tax receipts, conveniently ignoring every other form of taxation on unearned wealth, not to mention indirect flat taxes such as VAT. The reality is that we have a regressive tax system, where because of indirect taxes the bottom 10% pay the same proportion of their income in tax as the top 10%[56]. The government's approach to 'broaden the tax base' is to apply yet more indirect, regressive taxation, which hits working people hardest – such as the home tax and water charges. The Anti-Austerity Alliance is in favour of a radically different approach – abolishing home and water charges, abolishing USC for low paid workers entirely and instead increasing revenue from corporation tax, employers' PRSI, income tax on higher earners and introducing a Financial Transactions Tax and a millionaires' tax.

Introduce a Millionaires' Tax on Wealth

Only in the last year has the CSO conducted a survey on wealth distribution in Ireland confirming the great concentrations in the hands of a minority.[57] Credit Suisse[58] went further in pointing to the massive concentrations in the hands of an elite of 90,000 millionaires[59], which amounts to just over 5% of households.

In terms of what could be raised from a tax on net wealth in excess of a million euros, the Central Bank of Ireland's Quarterly Bulletin[60] gives a figure of €601 billion for Net Household Worth in the 4th Quarter of 2014. Applying the distribution suggested by Credit Suisse to the Central Bank figures gives a total of €226.37 billion concentrated in the hands of 90,000 millionaire households, who make up the richest 5%[61].

Allowing a threshold of €1 million for each millionaire would mean that €136 billion would be subject to wealth tax. This could mean €1.36 billion raised for each 1% in taxation. For example, a 2%% emergency tax in 2016 could raise €2.7 billion.

As was unfortunately demonstrated in Greece, the wealthy are unreconciled as a class of people to any encroachment on their privilege. Therefore strict capital controls would be required to combat wealth tax evasion by the rich, who will attempt to do whatever it takes to avoid paying for the crisis in their system.

▶ **A 2% millionaires' tax on wealth to raise €2.7 billion**

Increase the effective tax rate on the top 10% of earners

The Nevin Institute's study on household income distribution published in 2013[62] remains the most recent study of its kind. Using information from the EU's Survey on Income and Living Conditions 2011, which included social welfare, employers' PRSI and pension contributions, it showed that the top 10% of households (all taking in €110,000 or more at that stage) received 30% of gross income. More recent studies by the Nevin Institute[63] show this grouping on average only pay 23% of their gross income in direct taxation.

Conservatively assuming a similar distribution of income in 2016 would mean €27.5 billion in income concentrated among 169,000 households, an average household income of €162,000 per year.

Tasking the Revenue Commissioners to devise a graduated increase on the top 10% highest income households, with due consideration for dependants, and made up of a combination of increasing income tax rates and reducing tax breaks, but averaging at a 10% or a €16,000 increase in effective tax per household, would yield €2.7 billion.

An alternative route to achieving some of this figure would be to radically reduce tax breaks that disproportionately benefit high earners.

▶ **A 10% increase in the effective income tax rate on the top 10% of income earners to raise €2.7 billion.**

Raising Employers' PRSI – another option ruled out by Fine Gael/Labour

Employers' social insurance in Ireland remains the second lowest in the EU-27, with an effective rate of 7.8%[64], leaving us a massive €8 billion short of what would be obtained if the EU average of 20.4% applied [65]. Thus every 1% of a rise in employers' PRSI contributions would raise €0.6 billion albeit with consequential reductions in the corporation tax take.

▶ **As an intermediate step towards the European average, an increase in employers' PRSI in 2016 by 5% to raise €3 billion.**

Make the corporations pay their taxes

Since the onset of the crisis, the contribution to Ireland's tax take from taxes on capital has continuously declined in proportional as well as absolute terms – from 22% of total tax revenue in 2006 to only 12.9% in 2014[66].

We are now witnessing the grotesque scenario of the government opposing an EU ruling that Apple historically underpaid corporation tax, which could amount to up to €17 billion for the Irish exchequer[67]. This proves there are no depths to which the political establishment are not prepared to go to defend corporate interests while faithfully implementing every austerity measure on wage earners as well as those dependent on social welfare.

The Anti-Austerity Alliance commented in its 2014 pre-budget statement on the discussion taking place last year on the extent of corporate tax avoidance and the true effective rate being paid by that sector:

> The overall scale of corporate tax avoidance facilitated by government policy has been researched by Jim Stewart, an associate professor of finance at Trinity College. In testimony to an Oireachtas Subcommittee on global taxation in June 2014, he estimated that 'up to €40 billion, or almost half' the profits of Irish-registered companies fall entirely outside the corporate tax net and are not liable to any corporation tax[68].

Applying the middle range estimate for effective corporation tax of 8.3%, which is based on Eurostat figures [69], to the Exchequer Returns for 2014 (which show €4.6 billion was raised in corporation tax[70]) would mean that for each percentage point increase in the effective rate, €554 million extra could be raised. So, taking account of the proposed increase in employers' PRSI above, if the Irish headline rate of corporation tax of 12.5% was made the minimum effective rate, an extra €2 billion could be raised.

By maintaining a regime of low effective corporation tax to entice foreign multinational companies, Irish society pays a heavy price by depriving our wrecked public services of the funds they require to provide decent living conditions for all. If it is truly the case – as claimed by the entire political establishment (as well as Sinn Féin, who support not only maintaining corporation tax at its current levels but extending that rate into the North) – that the slightest rise in effective corporation tax, to say fund the expansion our healthcare system and end the scandal of homelessness, would lead to a flight of companies out of Ireland then that is an indictment of their system, not a mark of economic irresponsibility on the part of the Anti-Austerity Alliance.

Likewise, such concern on the part of the establishment about the greed and light-footedness of the corporate sector is an argument for a different model of economic development based on public investment to create sustainable and socially useful jobs, rather than for continuing with the failed 'development strategy' of marketing Ireland as a corporate tax haven.

▶ **Enforce an effective minimum rate of corporation tax of 12.5% to raise €2 billion**

Tackle the dictatorship of the financial markets – introduce a Financial Transactions Tax

The Irish Funds Industry Association estimated in July 2015 that net funds of €1.8 trillion were domiciled in this country[71], three times the 2008 figure. Overall, €3.7 trillion worth of funds are being administered[72], two and half times the amount at the start of the crisis. Compared to this unimaginable wealth, a mere €621 million[73] was paid in corporation tax by this sector in 2013.

Saying the rich have got richer is not a cliché. The Anti-Austerity Alliance believes that the dictatorship of the financial markets, which has been demonstrated so clearly in the course of the crisis, needs to be broken. In this way, their resources could be funnelled into investment projects that can develop the economy in a sustainable way and provide access to credit for small business and farmers.

As was shown in the Apple case, when it suits the government it ignores views and any emerging consensuses at European level if they encroach on the privilege of the tiny elite who hoard wealth. The EU's proposal for a Financial Transaction Tax (of 0.1% on transactions of bonds and shares and 0.01% on transactions of derivatives) is extremely minimal and inadequate. However, the government will not even accept that. Updating the ESRI and Central Bank of Ireland 2012 estimates to take into account the further growth in funds administered in this country, which have at least doubled since 2011, €1 billion would the lower end of the range[74] of what could be raised. This is more than the property tax and water charges combined.

▶ **Introduce a Financial Transactions Tax to raise at least €1 billion**

Universal Social Charge

The government is planning reductions to the Universal Social Charge that will benefit those who earn €70,000 or more per year the most. Instead, the Anti-Austerity Alliance proposes that changes should be implemented to benefit low paid workers.

▶ **Abolish the USC entirely for all those earning less than €35,000 per annum and halve it for those earning between €35,000 and €70,000.**
Cost: €2.1 billion.[75]

Scrap the Local Property Tax

The local property tax, which in reality is a home tax, should be scrapped immediately. This would cost €440 million.[76]

Cut Corporate Welfare

Corporate welfare is defined by a leading expert in the area as 'public policies that directly or indirectly meet the specific needs and/or preferences of private businesses' and 'socialise[s] the costs and risks associated with private investment and profit-making.'[77] Using this approach, the annual corporate welfare bill in the UK has been estimated at £180 billion[78]. Cuts to the £90 billion that comes from direct subsidies to business are a central part of Jeremy Corbyn's platform.

Preliminary figures outlined here indicate a minimum annual corporate welfare bill of €15.5 billion. This includes only some of the vast web of handouts and tax breaks for the corporate sector and wealthy individuals developed by successive governments. It excludes the ongoing cost of the €60 billion bank / developer bailout; the single largest case of corporate welfare in

Irish history and equivalent to more than 3 years of social welfare spending.

Government literature boasts 'There are currently over 80 Government business supports - totalling over €2 billion'. This dramatically understates the total largesse on offer, but the contrast between the state's efforts to publicise its corporate welfare schemes and its miserly approach to social welfare claimants could not be starker, or more revealing of the capitalist interests the state exists to serve.

The Department of Jobs, Enterprise and Innovation (DJEI) could be renamed the Department of Corporate Welfare. Corporate welfare agencies under its remit include Enterprise Ireland, IDA Ireland and 31 Local Enterprise Offices. The vast majority of its €760 million budget for 2015 consists of grants, subsidies and other incentives to business and the administrative apparatus to dispense them[79]. DJEI has budgeted €495 million just for capital investment in 'Enterprise Supports' next year[80]. Some is justifiable supports for small businesses but a substantial amount is subsidies to big corporations. IDA Ireland and Enterprise Ireland between them will receive €260 million in Exchequer funding this year[81] and Enterprise Ireland alone lists 13 different welfare programmes for companies with over 250 employees on its website[82].

The Revenue Commissioners are another major corporate welfare agency. In 2013, the latest year statistics on a limited number of tax expenditures are available, it administered over €9.1 billion in tax breaks for corporations, wealthy investors and bondholders[83]. On top of this are €207 million in Property-Related Tax Reliefs for landlords, developers and commercial property investors.

The developer / debtor side of the €60 billion bank/developer bailout manifests itself in the continuing bailout of developers through NAMA. Given the €42.4 billion loss involved in setting NAMA up, which was made up by recapitalising the banks at our expense , NAMA's current expectation of a of €1.75 billion 'surplus' by 2018 actually indicates a €40 billion write-off for developers. Over 8 years, this works out at €5 billion a year. A single developer, Michael O' Flynn, has reportedly cost the state €700m [84]. Although some of this may be impossible to recoup, many of the big NAMA developers remain very wealthy and are back in the property development business. Rather than giving them a second bailout, they should be disqualified from receiving any further corporate welfare and pursued for every last penny.

Forms of dual corporate / social welfare available from the Department of Social Protection and the Department of the Environment that add up to over €800 million annually include:

- Subsidies to private landlords through rent supplement, the Rental Accommodation Scheme, the Housing Assistance Payment, and the Social Housing Capital Expenditure Programme, will come to over €400 million this year[85].
- Family Income Supplement (FIS) paid to workers to supplement poverty wages from employers, was projected to cost €350 million in 2015. Even the Labour Party Minister, Ged Nash, calls FIS a form of "corporate welfare" [86].
- JobBridge – the direct cost was estimated at €77m for 2015 but this omits payroll savings equivalent to 9 months on the minimum wage, at the very least, plus employers' PRSI for thousands for free workers, to say nothing of the economic value they produce.

Adding together the main forms of corporate welfare listed above produces an annual figure of €15.5 billion. Together with the estimated €3.5 billion in interest on odious debt, this comes to €19 billion – equivalent to the entire social welfare bill for 2015.

In reality, corporate welfare amounts to even more than that, given the plethora of uncosted tax breaks for business and wealthy investors, the substantial corporate subsidies doled out by other government departments and state agencies, and public sector outsourcing to corporations of services used by state bodies and of public services.

The Department of Agriculture, Food and the Marine disburses €1.2 billion in non-EU funded grants, subsidies and other supports to the agri-food sector[87]. It would not provide a breakdown when asked of how much goes to small farmers and fishermen, as opposed to agri-business and big farmers [88], but the distribution is likely to mirror that of the EU Single Farm Payment. Details of this, which the government is forced to publish under EU law, show it massively favours the rich[89]. Fáilte Ireland and Tourism Ireland also give substantial subsidies to the tourist industry.

Perhaps the biggest omission from the above figures is public sector outsourcing. This was estimated at 16% of General Government Expenditure in 2013[90], or over €11 billion[91]. Although outsourcing is widely assumed to be cheaper than direct state provision, an analysis by the Oireachtas Library and Research Service found 'little research available in the specific context of a comparative analysis of outsourcing versus the provision of services by the public sector in Ireland' – aside from self-interested assertions from industry lobby groups[92].

▶ **Bearing all the above in mind, cut the corporate welfare bill could be cut by 10% or €1.5 billion**

Suggestions for specific areas these cuts could come from include:

- Stamp duty relief for Intragroup Transactions and Certain Company Reconstructions & Amalgamations: €3.1 billion in 2013
- Capital Acquisitions Tax Business Relief: €135 million
- Exemption from income tax of returns on Irish Government Securities owned by non-residents: €568 million[93]
- Some of the €260 million in corporate grants from IDA Ireland and Enterprise Ireland.

Reverse the cuts

Government spending is down by €31 billion compared to 2008, but the cumulative impact of seven years of these cuts means €118 billion less has been spent on public services than if spending had been maintained at 2008 levels each year.[94] The cost of this has been overwhelmingly loaded on the backs of ordinary people.

The cuts that have been imposed on health and education over the past seven years must be immediately reversed. Health and education expenditure should be returned to 2008 levels immediately – meaning an increase in annual health spending from €13.3 billion to €16.2 billion and an increase in education spending from €8.4 billion to €9.3 billion.

This would allow the hospital waiting lists and trolleys to be rapidly cleared and new wards properly utilised. It would allow free GP care for all to be introduced.

In education, it would mean reversing the cuts to the capitation grant to schools, increasing the number of SNAs and allowing the pupil-teacher ratio to be reduced towards the 20 or fewer that international research suggests is best. It would also mean scrapping fees for third level education.

Across the public sector, the Haddington Road Agreement cuts should be reversed, equivalent to €212 million.[95]

Despite the government's repeated claims about not cutting "core social welfare" payments, it is simply not true. Not only have core payments, such as Jobseekers' Allowance for under-26s and child benefit, been cut, all of the other cuts result in the same effect – a reduction of income for those in receipt of social welfare benefits. These social protection cuts should be reversed.

The cost of reversing the following social protection cuts is below:[96]

- Reverse the cuts to Jobseekers' Allowance for those under 26: €148 million
- Re-introduce the Telephone Allowance: €108 million
- Restore social welfare rates to €204 per week: €1,140 million[97]
- Reverse the cut to the Back to School Allowance: €15 million
- Reverse the cuts to child benefit: €603 million
- Reverse the One Parent Family Payment cuts: €65 million
- Reverse the cuts to Back To Education Allowance: €15 million

The total cost of reversing the cuts is below:

▶ **Reverse the cuts to Health spending: €2.9 billion**
▶ **Reverse the cuts to Education spending: €0.9 billion**
▶ **Reverse the Haddington Road Cuts: €212 million**
▶ **Reverse the cuts to Social Protection spending as outlined above: €2.1 billion**

Total cost of reversing cuts: €6.25 billion

Increase the spending on Overseas Development Aid to 0.7% of GNP

The Anti-Austerity Alliance favours a legally binding target of 0.7% of GNP in Overseas Development Aid (ODA). Immediately in 2016, 0.7% should be allocated and spent. ODA as a percentage of GNP has fallen consistently over the last number of years under this government.

▶ **Increase Overseas Development Aid to 0.7% of GNP, equivalent to €1.1 billion: €500 million**

Summary

The government's Thatcherite mantra that 'There Is No Alternative' has been debunked repeatedly. In this budget statement, the Anti-Austerity Alliance has pointed out the radical alternative that exists – a budget written in the interests of people rather than profits.

Major additional resources from wealth, major profits and the highest earners have been identified. If these resources were used to develop the capacity of the economy by reversing cuts and engaging in major job creation as outlined in this statement, the basis would be laid for a fundamental transformation of the economic and social life of the country, moving in the direction of full employment, meeting the accommodation needs of those seeking homes and supporting superior public services in areas like health and education.

While this country remains shackled to the demands of the financial markets and the key sections of the economy are run for profit, investment will only occur if major capitalists see the possibility for private profits and the crisis will continue for ordinary people. That is why a struggle from below is needed to take on the 1% and fight for a recovery for the 99%.

The tremendous movement against the water charges gives an indication of the possibilities of working class people power. It has created the basis for a new significant left movement in this country which can help to organise a struggle to end the rule of the 1% and re-organise society on socialist lines.

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