



PEOPLE BEFORE PROFIT

FIGHTING FOR WORKERS & ECO-SOCIALISM

Economic Policy

Jan 2022 Revision

PEOPLE BEFORE PROFIT

Summary

- Shift economic policy away from Tax Haven Ireland.
- State-led investment to 'Brexitee Proof' the economy.
- Establish state-led banking and construction companies.
- State ownership of natural resources and move to green energy.
- State-led investment in pharmaceutical and agriculture sectors.
- Close corporate tax loopholes – make Apple pay all their back taxes.
- Redistribute wealth from the top 5%.
- Introduce higher rates of income tax for those earning more than €100,000 – move towards a maximum wage
- Introduce a Robin Hood tax on financial speculation.
- Abolish austerity taxes, including the USC and Property Taxes.
- End Pay Apartheid in the public service and create pay equality.
- Develop quality public services - provided as a right.

A Failing Model

Irish capitalism has failed most Irish people. The economy is characterised by levels of inequality and insecurity that are unacceptable in a democratic society. According to the International Monetary Fund, Ireland is now the fourth richest country in the world in terms of GDP per capita. Despite this, 1.2 million people experience ongoing deprivation, making up 25% of the population. There are also half a million people living in consistent poverty. The economy should work for all but on these figures it is failing badly.

Irish capitalism is also deeply unstable. The Celtic Tiger crash caused untold damage to our economic and social infrastructure. This should have been the wake-up call needed to move away from neoliberal policy making. Instead, successive governments forced the costs of the crisis onto working people. This has resulted in deep inequality as well as the worst housing and homelessness crisis in the history of the state.

As if this was not bad enough, Ireland now rests on a tax-dodging model that has come under pressure. The decision of the British electorate to leave the EU, coupled with the decision of the EU to pursue a common consolidated corporate tax base, has left the Irish tax-dodging model in real peril. The Irish elite has been forced to sign up to common corporation tax rules, including a minimum tax rate of 15%. Yet when People Before Profit called for increases in the corporation profit rate they claimed it would lead to a flight of capital. We are only at the start of the process and more taxes can be extracted from the big corporations.

Below is a summary of the problems associated with Tax Haven Ireland.

- A reliance on tax dodging in the Irish Financial Services Centre and by multinationals such as Google, Starbucks and Apple.
- A reliance on Foreign Direct Investment that has failed to create a manufacturing base in Ireland.
- A severe lack of fixed capital investment
- Regional imbalances and the development of a two-tier economy both economically and spatially.
- The proliferation of unpaid internships such as JobPath and Gateway.
- The proliferation of low paid and precarious employment, including bogus self-employment.
- Working conditions that are undermined by periodic crises in the global capitalist economy.
- Deep inequality in terms of income, wealth and power.

A State-Led Investment Model¹

We can no longer rely overwhelmingly on the market to meet our economic needs. Brexit is merely the latest in a long line of threats and crises that have afflicted the Irish economy. Taking control means reducing our dependence on Foreign Direct Investment by creating employment directly through the state. To give some sense of what is possible, research by the Nevin Institute is instructive. According to their economic models, state-led investment of €1 billion would create in the region of 10,000 new jobs. This is a conservative figure that assumes a cost of €100,000 per new job created. The same study estimates that the positive spillover effects would create a further 6,750 jobs. When the tax increases and welfare reductions are factored in, the cost of these jobs falls to €575 million.

The experience of Covid showed how a fund of more than €11 billion could be created almost immediately. With the political will, the state could immediately begin to address the legacy of decades of underinvestment in our physical, social and industrial infrastructure. This type of state investment will involve greater involvement and control by its workforce. Through such a model, we can unleash the creative energies of employees and resist any tendencies towards bureaucratisation.

We list some of the key areas for state investment and employment below.

- **Public Banking – Stop the Privatisation of banks.** Private ownership of Irish banks has failed. Their speculative practices cost Irish taxpayers in the region of €64 billion in the years between 2008 and 2012. Since then, they have engaged in illegality by taking people off tracker mortgages and charging over the odds for business loans. They also restricted credit to repair their balance sheets, retarding the economic recovery. The Irish economy would be less unstable with a state-led banking model. Credit would be more

¹ All of the estimates in this economic document have come from official sources. The majority were sourced through Parliamentary Questions submitted to the Department of Finance. Beyond this, we used the Central Statics Office, Central Bank Quarterly Reports and the various other government department for the relevant information.

available for public projects that better society – and for co-operative and small enterprises.

- **A State-Run Construction Company.** Ireland is caught in the grip of a major homelessness and housing crisis. It would be possible to build many more new units via a state-run construction company. This would work with local authorities to supply extra houses over the next five years. This would have a transformational effect on the housing market. It would also end the scourge of bogus self-employment and provide well paid and secure jobs for construction workers. New construction projects are also needed to retrofit homes, build up our water infrastructure and develop health care, educational and childcare facilities.
- **State-Led Oil and Gas Exploration.** People Before Profit is dedicated to making Ireland carbon neutral. We are also opposed to the issuing of any more licences for oil and gas. Instead, we need to take control of all existing operations and prospecting in order to use some of the available oil and gas to provide the resources to make the transition. Following the Norwegian model, People Before Profit would take our natural resources into public ownership. These would then be used to develop a world-leading green energy sector.
- **Become a Leader in Renewable Energy.** Because of its location, Ireland has the potential to be a leader in the development of renewable energy worldwide. The state could enable a transition from fossil fuels to renewable energy and become a manufacturer and exporter of renewable energy components. Wind and wave technologies have enormous potential here. A recent report by the Economic and Social Research Institute (ESRI) outlined how investment in additional wind capacity of 4000 MW, mostly offshore, would create 36,000 jobs. A large scale reforestation programme would also benefit both the economy and the environment. We need a special fund for green energy employment which could create an additional 5,000 green energy jobs. We would invest in green research and development (R&D) and safforestation.
- **Generic Pharmaceutical Industry.** The Irish state currently gives around €700 million to companies in order to do research and development (R&D) here. People Before Profit would begin to re-direct that money into a state-run pharmaceutical industry dedicated to producing drugs that could be sold below the cost of branded alternatives. Thanks to years of neoliberal tax breaks, Ireland already has the people and the facilities to make a state-run pharmaceutical industry a success.
- **A New Deal for Small and Medium-Sized Farmers.** Big business dominates the Agri sector. In meat processing, for example, three companies – ABP, Dawn Meats and Kepak - dominate the industry. People Before Profit wants a new deal for the Agri sector. We would promote the development of local processors, local farmers markets and cooperative models of farming. We would also impose a levy on the major supermarkets and food processors to be redistributed to small and medium enterprises that prioritise nutritious food and environmental protection.

Global economic instability and the impact of Brexit mean that now is the time to move to a radically new employment model. Using a conservative estimate, our capital proposals would create in the region of 115,000 jobs. This would not only bolster the economy in a time of increased uncertainty but would also lead to positive spillover effects and increased tax revenue. In addition, investment in green energy,

housing and services would simultaneously rebuild our social infrastructure after years of austerity.

Redistribute Economic Resources

Irish capitalism has led to unacceptable levels of income and wealth inequalities. If the income created in Ireland was shared out equally, it would provide €55,000 for every person per annum. This is clearly not happening, however. Earlier we noted the fact that large sections of the population are living in poverty. The other side of this coin is vast accumulations of wealth. The figures below give some sense of the problem.

| Percentage of Population | Percentage of Wealth | Wealth in € (millions) | Average Wealth Per Person € (millions) |
|--------------------------|----------------------|------------------------|--|
| 1 | 14.8 | 96,792 | 5.71 |
| 5 | 37.7 | 246,558 | 2.91 |
| 10 | 53.8 | 348,582 | 2.05 |
| Bottom 50 | 4.9 | 32,048 | 0.0375 |

People Before Profit is committed to making sure that everyone has enough to live with dignity and respect. To do this, we would implement a raft of measures that would tackle the wealth and incomes of the top 5-7% of the population. This would have a number of important benefits. In the first instance, it would make Irish society a fairer and more just place to live. It is not acceptable that workers - who are the real wealth creators - do not get the bulk of the rewards from their work. Instead, it flows to the top of society, creating powerful lobby groups that work hard to protect the status quo.

By redistributing wealth we would also be redistributing political and economic power. This is essential for a functioning democracy. We would also eradicate poverty, deprivation and economic insecurity. Meanwhile, those at the top would still have extremely comfortable lives. This is surely a political choice worth making. Below we summarise the main measures we would take to even out the resources created in Ireland.

- **Close corporation tax loopholes and double the tax take.** Ireland's official rate of 12.5% is too low – but corporations do not even pay this. Because of a host of loopholes, the effective rate is between 4-5%. This is far lower than an average worker would pay. Corporations should pay a minimum rate of 20% on their profits – which is what low paid workers pay on their wages. But it should also be pushed up higher.
- **Make Apple pay their back taxes.** In 2016 the EU Commission exposed Ireland as a tax haven. Deals made by the Irish Revenue Commissioners in 1991 and 2007 allowed Apple to get away with a tax rate of less than 2%. They now owe the Irish people €13 billion, plus interest – a total of €18-19 billion. This would go a long way to developing an indigenous development strategy but instead, the Irish

government is spending millions in order to refuse the money. People Before Profit would drop all legal cases and take the money immediately.

- **A Tax on Millionaires.** People Before Profit would levy a tax of 2% on the top 5% of wealth holders. Before this would kick in, however, we would allow one million euros to be set aside for their family home. This would affect the richest 18,000 households in the state, each of whom has roughly €3 million in accumulated wealth. The tax would bring in roughly €3.25 billion annually.
- **New Taxes on High Earners.** People Before Profit would introduce new tax bands on those lucky enough to earn more than €100,000 per annum. The table below shows the initiative

| New Income Tax Bands € | New Rates |
|------------------------|-----------|
| 100,000 –140,000 | 50% |
| 140,000- 180,000 | 55% |
| 180,000-250,000 | 60% |
| 250,000 + | 65% |

This would likely bring in €2.25 billion annually.

- **Higher Rates of Employers PRSI.** Irish employers pay significantly lower PRSI than their European counterparts. To bring them more into line, PBP proposes increasing each of the current rates by 2%. We would also introduce a special high earners PRSI contribution of 19.75%. This is estimated to bring in €1.4 billion.
- **Introduce a Financial Transactions Tax.** The financial sector bears primary responsibility for the economic collapse of 2008. Ireland currently has the fifteenth largest international financial sector in the world and the fourth largest shadow banking system. This makes the economy extremely vulnerable to financial crises. It also allows big finance too much control. The Irish Financial Services Centre currently manages €1.9 trillion in assets. One way to tackle the financial sector is to impose a financial transaction tax. A Financial Transactions Tax of 0.1% on Transactions of Shares and Securities and 0.01% on Derivatives would bring in €610 million. This would reduce speculation and give the state something towards the social cost of the last crisis.
- **End the Status of Tax Exiles.** The Irish rich want it both ways. They want to use Irish services to make their money, but they don't want to pay for it. People Before Profit would end the charade of people pretending to live in Ireland for half the year, but paying nothing to provide public services. To do this we would end the tax-dodging status of Irish non-residents.

Rebuild Our Social Infrastructure

The last economic crisis should have been a watershed moment. In 2008 Irish capitalism collapsed, creating crises in finance, construction and the wider economy. Working people had no hand nor part in creating this crisis, but they were made to shoulder the costs. From 2008 until 2015 there were nine austerity budgets. This took more than thirty billion out of welfare and services and a cumulative total of more than twice this. People Before Profit fought hard against this injustice and we would use current resources to repair the damage. This means reversing the austerity taxes, repairing services and moving our public services onto a more secure footing. Our key policies in this area include

Tax Justice, Pay Equality and Social Welfare

- **Reverse Austerity Measures.** During the early stages of Covid, the government acknowledged that people need €350 a week to live on. Since then they cut the PUP payments as they sought to return to 'business as usual'. People Before Profit would both ensure that there are decent well-paid jobs and increase social welfare payments for those who cannot work for whatever reason. We would also end the discrimination against the youth by standardising welfare payments. For the elderly People Before Profit would increase the state pension to €250 per week and we would increase maternity benefits to 12 months.
- **Pay Equality.** Workers in the public sector should not face pay apartheid. Workers with the same level of experience doing the same work should be paid the same wage. To make this a reality, People Before Profit would repeal the FEMPI legislation and end pay apartheid. The benefits of this would be considerable. Alongside fairness, it would help to retain and recruit the workers we need to staff the health, education and vital public services we desperately need.
- **Scrap the Universal Social Charge.** The USC is a hated austerity tax. People Before Profit would scrap it and replace it with a higher earners social charge for those earning more than €90,000.
- **Scrap the Property Tax.** The Local Property Tax is a tax on family homes. We want a real assets tax levied on the richest 5%. Added to this we would introduce a landlord tax levied on people with two or more houses.

Public Services

- **Towards a National Health Service.** Decades of neglect by Fianna Fail and Fine Gael have resulted in a crisis in our healthcare system. Instead of persevering with a failing model we would move towards a National Healthcare System free at the point of use and accessed on the basis of patient need. We, therefore, advocate increasing health spending and providing extra capital spending. This is vital to provide proper services to cope with pandemics. We would also move to provide women with better reproductive care, prioritise mental health, dementia and autism.
- **Make Education Free For All.** People Before Profit believes in education for child development and

lifelong learning. Our model relies on replacing the various patron bodies currently in operation with a secular, state-run educational system. Education needs to be free of charge for all and educational supports need to be allowed on a basis of need rather than budgetary constraints. Our schools are overcrowded and expensive to access. We would make sure education is free for everyone who wants to access it by scrapping.

- **Childcare as a Public Service.** Irish parents pay over the odds for child care services. Our solution to this problem would be to adopt the Scandinavian model, by emphasising a publicly funded childcare system with well-qualified staff and up-to-date facilities. To move in this direction, we would spend on hiring childcare workers. In addition, we would spend on improving the capacity and looking for synergies with existing providers and primary schools.
- **Invest in Free Public Transport.** Providing public transport alternatives is crucial for local communities and the environment. Ireland must target zero net emissions by 2035 in order to contribute to the fight against climate change. A significant increase in investment in public transport is necessary to achieve this. To substantially increase usage, we would remove fares on public transport. In addition, we would return state investment in the three-state operating companies to 2010 levels as part of a coordinated plan to revolutionise our public transport.
- **Support Rural Communities.** Rural communities have been devastated by years of austerity. Our goal is to revive rural Ireland through a combination of rural broadband, rural regeneration programmes and Rural Economy, Environment and Structural Changes Programme.
- **Support the Arts.** Ireland's artistic and cultural heritage is one of our greatest assets. Despite this, funding for the arts and culture is pitifully low. Even before Covid, Ireland had one of the lowest levels of arts funding in Europe. People Before Profit believe we need to radically increase our investment in these areas. We believe that artistic practice and exposure to the arts and culture should be seen as a right for all citizens. People Before Profit propose a significant increase in the arts budget.

Conclusion

People Before Profit rejects the Tax Haven model. The results for ordinary people have been abysmal, with insecurity, inequality and deprivation all too common. People Before Profit have a vision for a socialist and environmentally friendly economy. Our economic policy document is designed to move in this direction using resources that are created by working people but currently siphoned off by the Irish rich. Alongside a state-led investment economy, we would end the injustices that have been perpetuated on people during the crisis and put public services on a much firmer footing.

All of this is possible but it will not happen without a major increase in the confidence and combativity of working people. If we want a more equal so society we will have to build it. This means counterposing people power and working-class solidarity to the elitist logic of the establishment.

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LIVES
MATTER

