SIPTU

Services Industrial Professional & Technical Union

Schrödinger's Budget

Budget 2021

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Schrödinger's Budget

- Aidan Regan posed a question in the Business Post last Sunday:

  'Is last week's budget simply an emergency response to a public health crisis? Or is it the beginning of a paradigm shift for the role of the state in the economy? The signals coming from the government are that it is a necessary emergency response and nothing more. The objective is to consolidate as soon as possible . . . this is hardly surprising for a liberal centre-right government.'

- Unfortunately, Aidan's pessimism is apt. The budget is a bit like Schrödinger's cat. As long as you don't look at it, the budget is in a state of *quantum superposition* where it is both forward-looking and backward-looking at the same time. Everyone can project their own hopes and preferences on to it because of the flux. However, when you look into the budget box , reality collapses into only one state.

Look into the Box: Public Investment

- This will be the *decade of challenges*: post-pandemic repair, Brexit, climate change, automation and AI, and the looming threat of a long-term low growth, low-productivity economy – never mind the infrastructural deficits we carried into the crisis.   This calls for a significant, sustainable and long-term programme of public-led investment (state, public enterprises and directed private investment).
- Budget 2021 gave no indication the Government is aware of the need for an ambitious, decade-long investment drive. Public investment increased by only €600 million (or 6 percent). As always, there is a stat war over this (€1.6 billion increase in non-Covid related investment, but only €600 million over NDP projections). However this is settled, the Ministers gave no indication this was the start of anything significant and long-term.
- **Example**: housing budget was increased but in reality it meant that only a few hundred more units will be built above the original target while 30 percent still goes on HAP.

Look into the Box: Stakeholder Democracy

- Stakeholder engagement is all the rage – on paper, anyway. This should mean all those with a stake in the outcome of economic and social policies should be part of the decision-making process that creates those policies (hence, the '*democracy*' part).
- But in the Ministers' two budget speeches there was no reference to '*social dialogue'*, '*stakeholder engagement*' or any type of democratic participation in recovery strategies – not even as a gesture.
- The speeches were employer-focused with workers and civil society reduced to passive agents in the recovery. This is not in keeping with the Programme for Government's commitment to '*create new models of sectoral engagement*.'

Look into the Box: The Welfare Corporate State

- The Government is rolling out significant amounts of public subsidy – as part of its *emergency response to a public health crisis*.
- COVID Restrictions Support Scheme
- Employment Wage Subsidy Scheme
- Restart Grant Plus
- Business Continuity Voucher
- Trading Online Voucher Scheme
- Enterprise Support Grant
- Seed & Venture Capital Scheme
- Covid-19 Credit Guarantee Scheme
- Pandemic Stabilisation and Recovery Fund
- Working Capital Loan Scheme
- Future Growth Loan Scheme
- Microenterprise Loans Scheme

Some Subsidies Won't Work

- Will these subsidies work? Some yes, some no. Given the unprecedented nature of the crisis – efficiency can be the enemy of urgency. However, some subsidies are categorically inefficient and wasteful.
- **The Help-to-Buy scheme**: the Parliamentary Budget Office showed over 60%of recipients didn't need it, indicating significant deadweight. Similar questions should be asked of the **Home Loan scheme** as it appears to be a subsidy to high house prices.
- **The 2% VAT** cut in the July stimulus – untargeted and across the board; the **tourism/hospitality VAT cut** which won't benefit businesses closed or running at severely reduced capacity. Combined, these measures could cost nearly €1 billion.

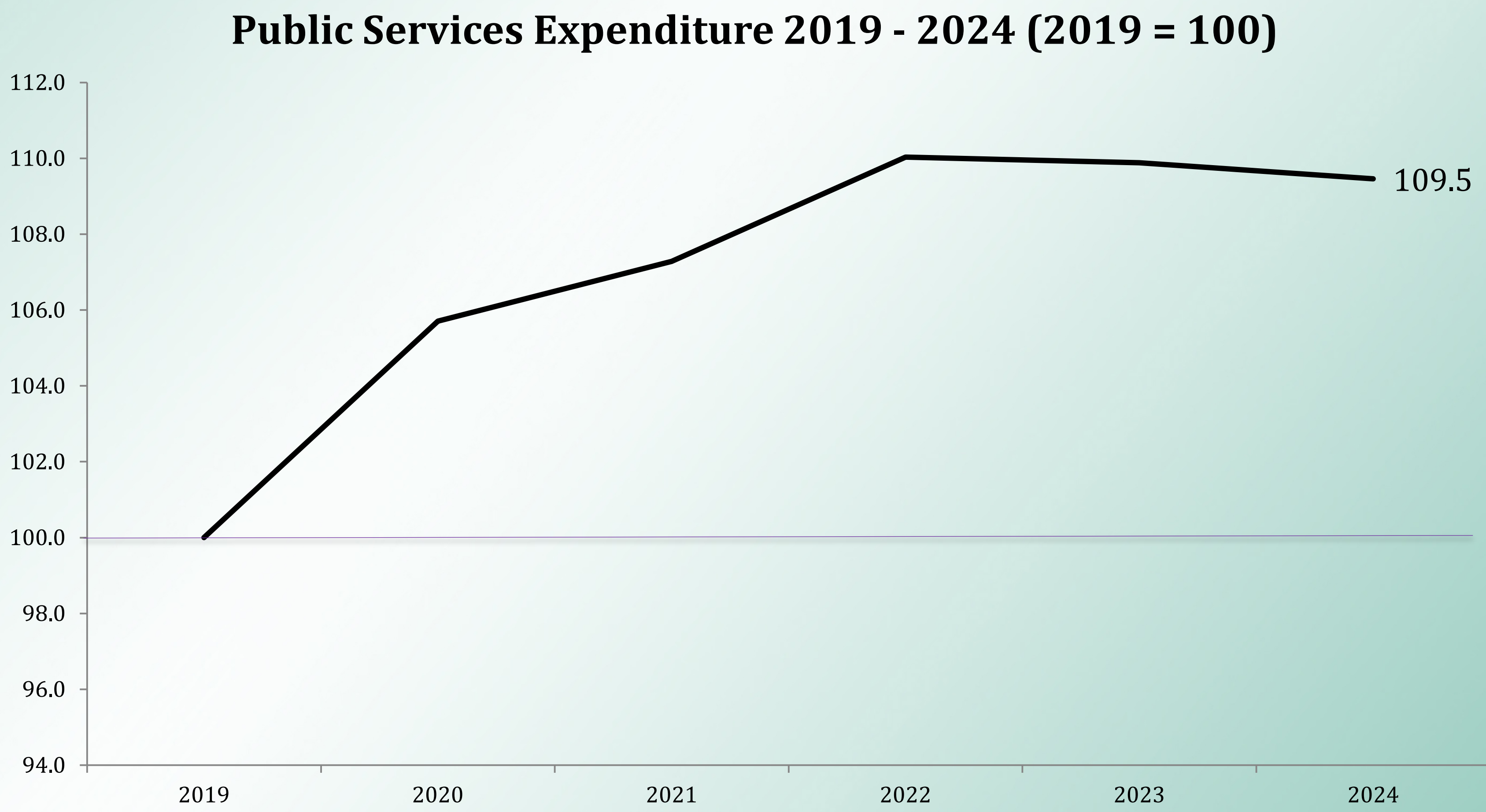
A New Theory of Inter-dependence

- This calls for a new theory of the inter-dependence of the private and the public. The distinction between the public and private economic spheres has been obliterated by the pandemic.
- This should lead to a new *corporate governance regime* based on rights and responsibilities, requiring enterprises to act according to democratically-determined standards in return for assistance in commercially difficult situations (similar to Jobseekers' payments dependent on looking for work).
- We shouldn't go back to the days when hospitality employers took billions in VAT cut subsidies after the last crash, while boycotting public institutions such as the Joint Labour Committee and suppressing wages and working conditions.
- This is one of the main lessons coming out of the pandemic – transforming enterprises into *social agencies* operating within commercial and stakeholder mandates.

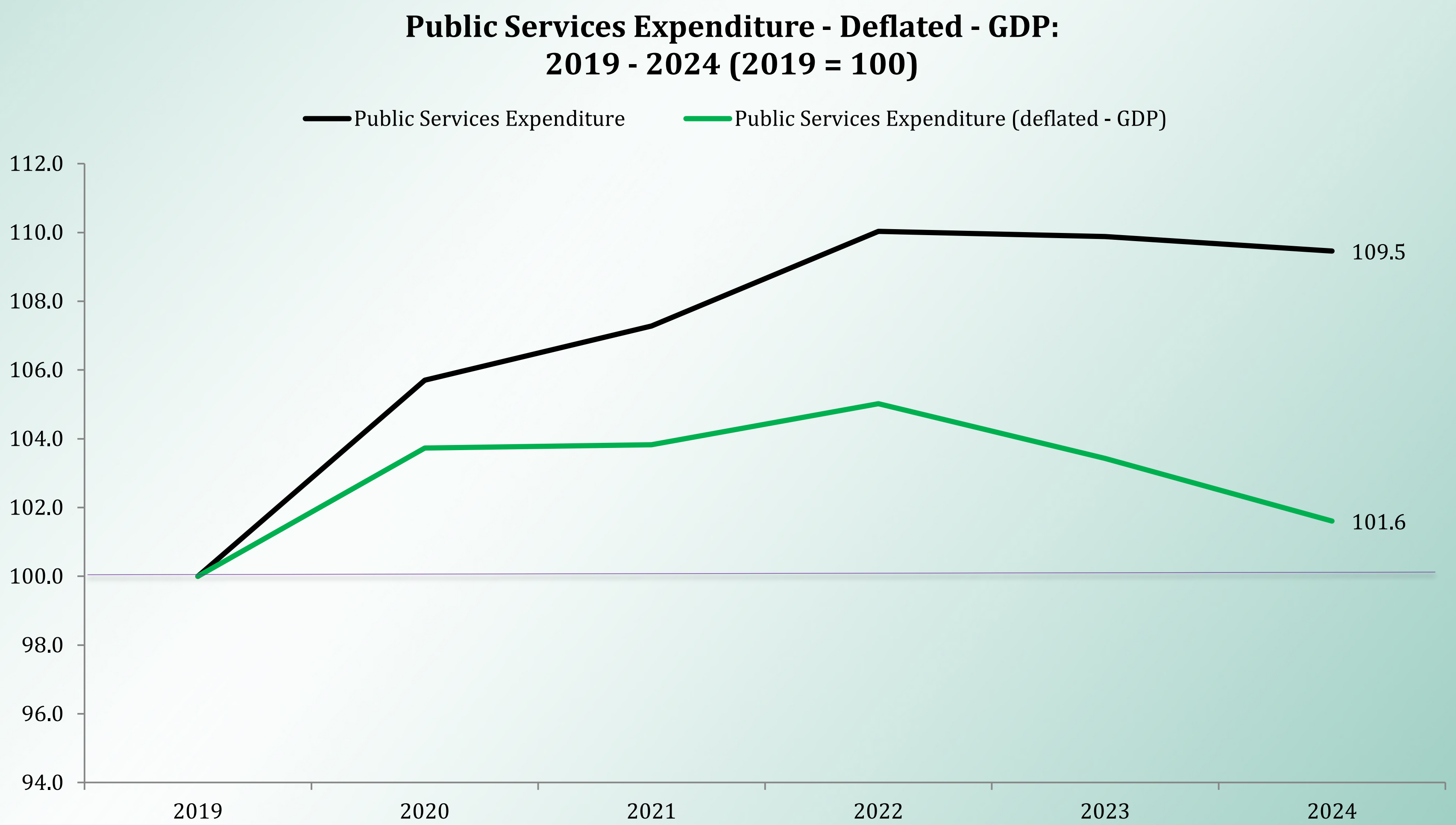
Austerity Below the Radar

- How will the deficit and debt be reduced? The Government states that most of the deficit will be reduced through recovery and growth ('*economic recovery will likely do most of the heavy lifting*').
- At the beginning of the crisis, the Government and the Fiscal Council estimated that most of the deficit would be driven by a fall in revenue. Therefore, the recovery in public finances would be largely driven by revenue returning to trend.
- However, the overwhelming majority of the deficit has been driven by expenditure increases. Revenue has not fallen to the extent feared. Therefore, the heavy lifting may fall on the expenditure side. While this doesn't mean austerity of the type seen in the last crisis, we could experience *austerity below the radar* – whereby the value of public spending is squeezed in the context of rising population.

Increase in Spending on Public Services
(Pre-Pandemic Projections from Budget 2020)

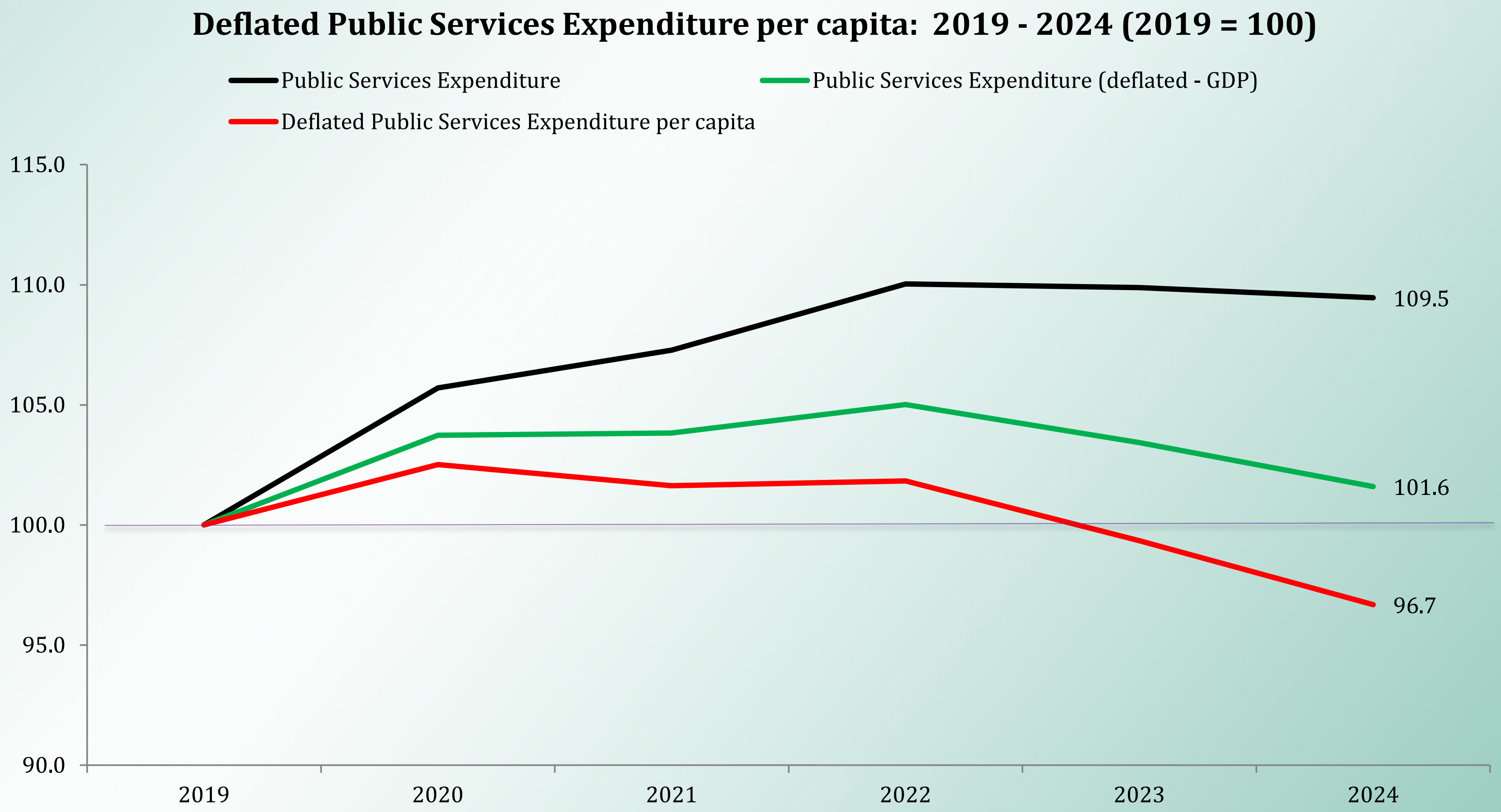


Spending on Public Services
(Factoring in Inflation)



Deflated Public Service Spending per Capita:

2019 – 2024 (2019 = 100)



Agreeing An Agreed Fiscal Approach

- SIPTU's *Progressive Fiscal Framework* provides a starting point for trade unionists and civil society activists to focus debate on an expansionary fiscal policy. In short, SIPTU proposes

a) A rejection of the balanced-budget ideology

b) A public investment drive based on borrowing

c) A revenue strategy based on increasing employers' PRSI over the long term, and shifting taxation more and more on capital stocks (assets, wealth) and capital income

d) Democratic participation of the producers (aka working class) in the productive process

- This is not the final word. It is a starting point for discussion. This will be all the more needed when the Government lays out their medium-term projections next spring. And it can save us from nonsense commentary.

No, We're Not all Keynesians . . . Unless

- Typical of the comments that informs the quantum flux of this budget is the refrain – '*We're all Keynesians, now*.' This is based on the misguided notion that Keynesianism is about levels of spending or deficits – the higher they are the more '*Keynesian*' you are. This is twaddle. Was the bail-out of Anglo Irish somehow '*Keynesian*'? Let's bottom-line this. When we all believe that:

a) Economic investment should be socialised (because the capitalist class can't be trusted to invest over a long horizon)

b) The rentier class should be '*euthanised*' (because they are a drain on the productive economy)

c) The Government should engineer a '*permanent quasi-boom*' (rather than some Goldilocks-porridge-too-hot-or-too cool counter cyclical simplicities)

- Then we can say '*we are all Keynesians*' – not just now, but for the long-term.

3 Challenges: Recovery Fund and Childcare

- The Government established a €3.4 billion fund '*to stimulate increased domestic demand and employment*'. While this fund may be needed to top up enterprise and household supports for the Level 5 lockdown (which the budget didn't envisage), there would still be sufficient funds to enact a game-changer in terms of public services.
- Suggestion: childcare. The increased spending needed to substantially lower fees and significantly increase wages would be relatively little. Prior to the pandemic the government was already subsidising early years services by nearly 70 percent. That figure has risen with spending on wage subsidy schemes.
- It would be a big boost if opposition parties cooperated on making this a priority programme for the Recovery Fund.

3 Challenges: National Economic Plan

- Though the proposed *National Economic Plan* we can begin the debate on a *new corporate governance regime.* We can also intervene at the sectoral level. The PfG committed to establishing '*sectoral taskforces, comprising Government, independent experts and stakeholders . . . to focus on the specific needs of sectors.*'
- Many sectors will be impacted by the pandemic in potentially permanent ways – in addition to Brexit, climate change, automation and long-tem low growth: hospitality, physical retail, transport, food production (especially beef production), financial services and more.
- This could be a stepping stone to more fully-developed workplace democracy strategies coupled with popular sectoral planning. However, if this process is reduced to a top-down process, a glorified National Economic Dialogue, then it will fail democracy and fail to meet the future challenges.

3 Challenges: Social Security

- Trade unionists and civil society groups should work together to propose a new dispensation in social protection and social security – bringing together the need for enhanced in-work benefits and a living income for everyone.
- Mandatory sick pay schemes, income-related unemployment payments along with generous family benefits should be linked to guaranteed income floors based on, for instance, the Minimum Essential Standard of Living as produced by the Vincentian Partnership for Social Justice.
- This would involve a transformation of our social protection system – away from poverty amelioration to a true protection system for the social. The Government's proposed Commission on Taxation and Welfare is an excellent space for progressive cooperation.

From Opposition to Government-in Waiting

- It's not enough to critique government policies. It's not enough to oppose government policies. There must be a transformative leap from being an opposition to becoming a government-in-waiting.
- This is not just something political parties do (though obviously they are the ones responsible for government formation). This is an all-of-civil-society undertaking – encompassing trade unions, civil society groups, community organisations, researchers and scholars, and all those who want to contribute to a new way of doing things.
- This doesn't mean complete agreement or unanimity on all issues. Progressives can show that they host the sites where the most energetic and innovative debates occur. It calls for a commitment to the historic task of building a government-in-waiting. As the great political theorist put it: before a social class takes power, they must act like they have power.

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Organising for Fairness at Work and Justice in Society

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