SIPTU

Services Industrial Professional & Technical Union

# Fiscally Conservative, Economically Radical

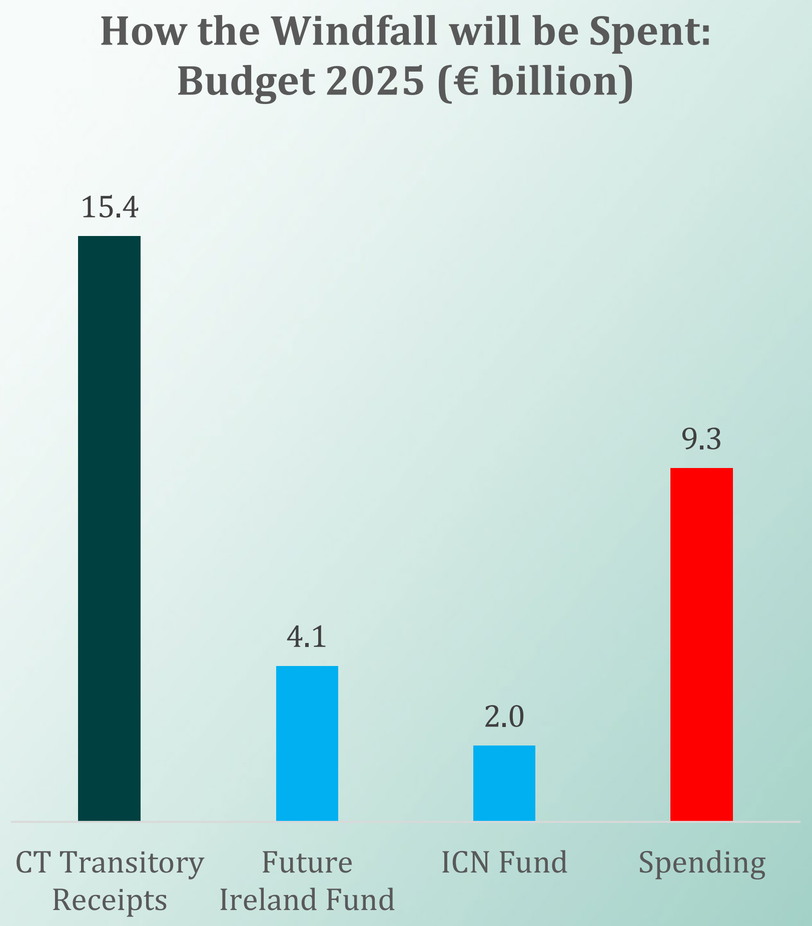
**Michael Taft**
**SIPTU**

# Like 2006 All Over Again

- Budget 2025 is fiscally reckless.
- Increasing spending, cutting taxes and relying on ‘transitory’ tax receipts to balance the books. Difference with 2006: corporate tax receipts rather than stamp duties and property-related tax revenue.
- In the Summer Economic Statement the Government stated:
- *“The headline (fiscal) position masks underlying vulnerabilities, with the current favourable position largely attributable to the increase in corporation tax receipts, at least part of which is ‘windfall’ in nature. The Government **cannot, and will not**, use these transitory receipts to fund permanent increases in public expenditure.” (bold own)*
- How is that ‘cannot and will not’ statement working out?

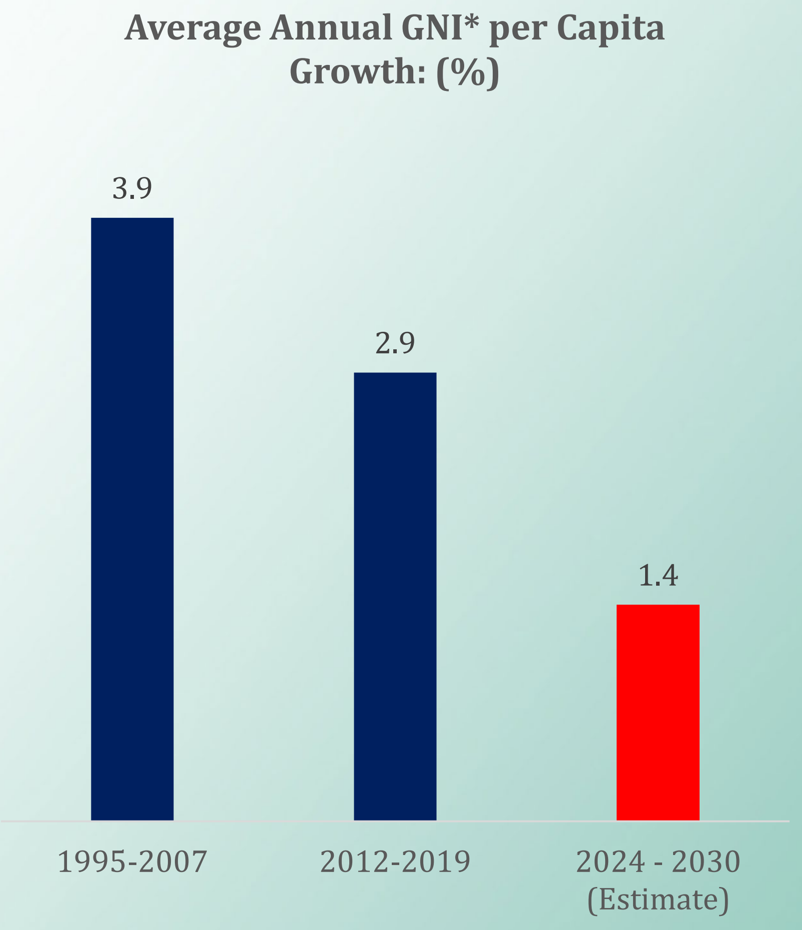
# Spending the Unspendable

- Budget 2025 estimates 'transitory' corporate tax (CT) receipts to be €15 billion. €6 billion is being put into the long-term funds. This leaves €9 billion being used in the economy – despite the Summer Economic Statement.
- With 43% of corporate tax revenue coming from just 3 multi-national companies, this leaves public finances dangerously exposed.
- This over-reliance enables two negative developments.



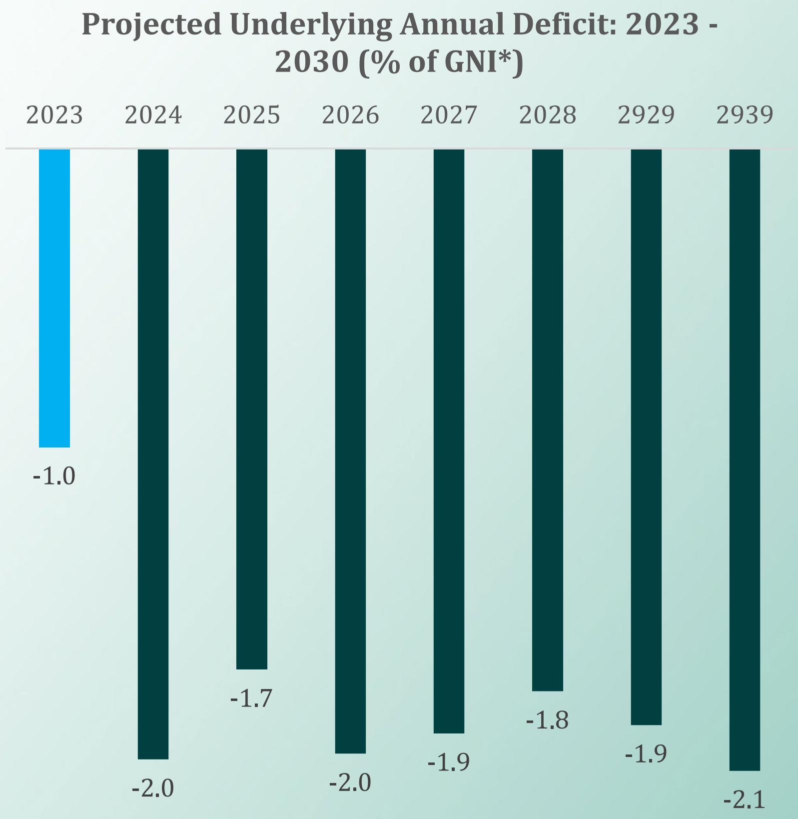
# (1) Hollowing Out our Revenue Base

- This allows Government to shrink our tax base and still 'balance the books'.
- However, at a time when growth is slowing down, cutting tax is irresponsible. **In the last two budgets, nearly €4 billion has been cut from taxation**.
- In addition, we have spending challenges in the form of an ageing demographic, climate change and the impact of digitalisation.
- We should be strengthening our revenue base not cutting it.



# Running a Deficit at the Wrong Time

- While public finances are in surplus, when transitory CT receipts are removed, we are running serial 'underlying' deficits.
- The budget is pushing the economy beyond capacity with a number of negative consequences.
- A key economic measurement is relatively hidden from the debate. It allows Governments to claim they are doing something they are not – pursuing appropriate cyclical policies.



# (2) Expansionary = Inflationary

- These expansionary budgets can embed inflation in an economy already suffering from high living costs. General rule: don't run expansionary budgets during strong growth. There are warning signs:
- **Domestic inflation remains high** – averaging over 4% in the first 7 months this year (IFAC) compared to 2.7% headline. Inflation reduction is being imported – mostly through decline in energy costs.
- **Structural budget deficit** of nearly 3 percent out to 2030 (DoF). This reflects the underlying deficit.
- **Underlying current accounts** have gone into deficit for the first time in 10 years when transitory tax receipts are excluded (IFAC). Is this manageable (investment) or structural?
- No individual measurement tells the definitive story. But, together, they provide warnings.

# A Progressive Approach

- The productive economy needs fiscal and price stability. Government policy over the last 20 years has been largely pro-cyclical: expansion during growth periods, contraction during downturns. It should be the opposite.
- Progressives need to challenge this fiscal dysfunction.

➢ Remove transitory CT receipts from the budget

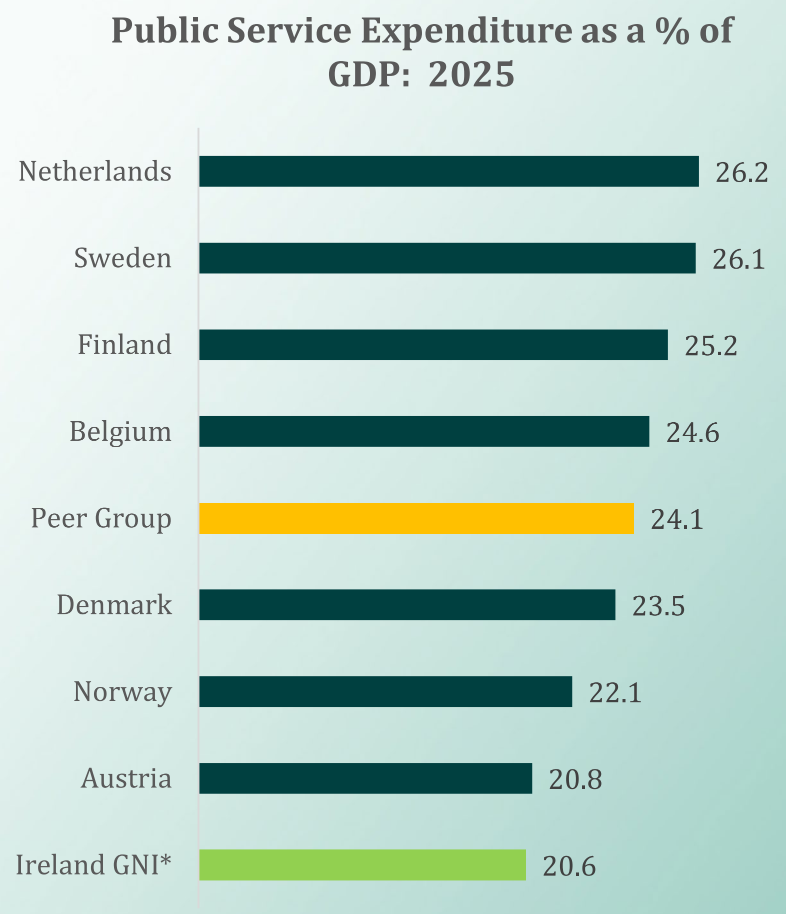
➢ Run a strong current budget surplus, allowing for appropriate borrowing for investment purposes.

➢ Begin the long-road to increasing overall tax revenue, based on capital taxes and employers' PRSI

- Most of all, we need to combine a fiscally conservative programme with an economically radical one

# 1. A Strong Social State

- A strong social state is a major contributor to sustainable economic growth, higher productivity and competitiveness. BUT: we cannot build a strong social state while cutting taxes.
- We would need to increase public service spending by **approximately €12 billion to reach our peer group average**.
- Everyone will have to make a contribution – according to their means. Just can't say – oh, the rich will pay for that.

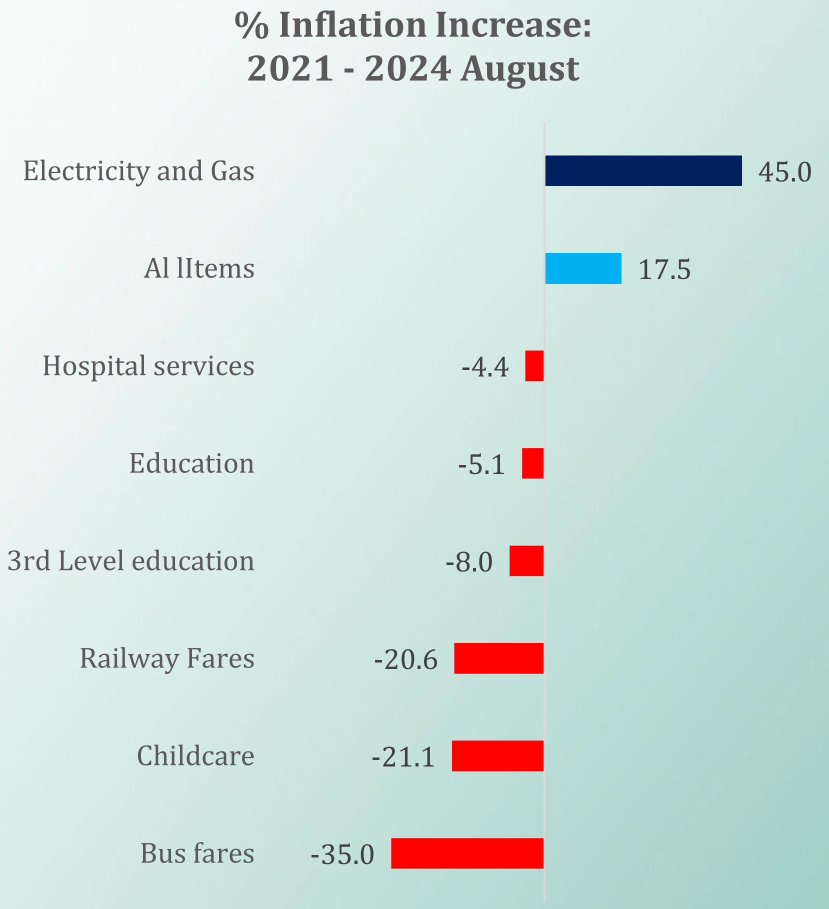


# Forest and Trees: Spending on Education


- Considerable attention has been given to a €9 million spend on phone pouches.
- However, no attention has been given to the massive under-funding of our education system.
- We would have to spend an additional €900 million and more at primary level to reach our peer group average. This under-spending is replicated at secondary and third level in addition to R&D expenditure.

# Public Services Can Contribute to Price Stability

- Expanding the social state can help reduce costs to households and businesses.
- While inflation rose by over 17%, public services inflation actually fell.
- Expanding public services and providing them for free (or at below-market costs) can help maintain price stability.



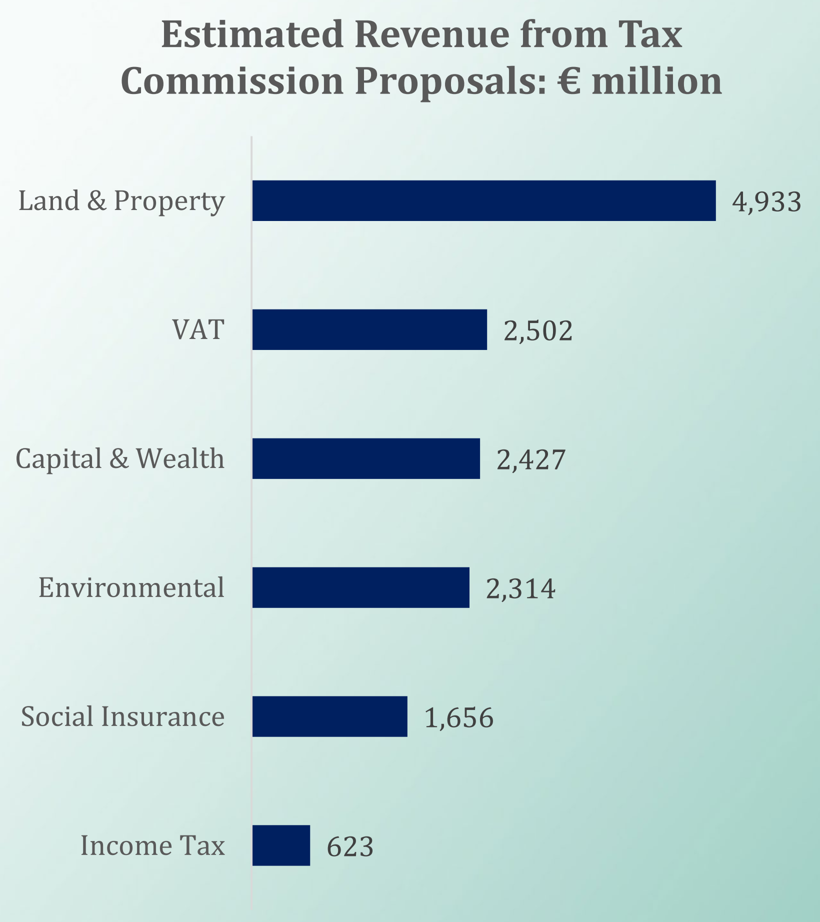
# 2. Investment

- To repair our infrastructural deficits requires a substantial and sustained period of investment, a long-term mobilisation of resources – both financial and labour.
- IFAC found that our public capital stock in health, housing and public transport was well below our peer group.
- In the recovery phase – 2011 and 2019 – our public capital stock actually fell marginally.

**IMF Public Capital Stock per Capita: 1995 - 2019 (Constant International $ 000)**

# 3. Mobilising the Resources

- We need an honest conversation about the revenue we need to raise.
- IFAC estimated we could raise up to €15 billion from the Commission on Taxation proposals – but some of these would be controversial: in particular, property tax and indirect taxes.
- In addition, increasing employers' PRSI to our peer group levels, can raise significant sums.



# 4. Promoting a Productive Economy

- A NERI/Siptu study found our domestic market sector to be the least productive in our peer group. This depresses living standards, investment and tax revenue. Raising productivity is not about wage suppression or tax cuts. It is about raising efficiency. Progressives need to argue for:
- **Radical extension of workplace democracy**, starting with collective bargaining but going further (electing workers to Board of Directors).
- Create **a new wave of 'Good Companies**' (including public enterprises) that promote employee participation, re-investment, in-work training and decarbonisation. In time, these would replace low-road businesses.
- **Establish and expand public banking** at business and retail level
- **Eliminating low-pay** and precarious work contracts.

# 5. Cultural Struggle: A Progressive Competitiveness Charter

- Employers and owners are demanding a ‘cost competitiveness’ charter – code words for wage suppression and more business subsidies (tax cuts, etc.).
- We need to challenge this with our own ‘*competitiveness*’ platform.
- For instance, child poverty – in addition to being a social obscenity – is a long-term and persistent drag on the productive economy and imposes additional costs on public finances (low tax revenue, stunted educational achievement, higher health and social spending).
- An authentic competitiveness charter would put the abolition of child poverty at the top of the agenda. Abolishing child poverty would be a boon to domestic enterprises and public finances – contributing to long-term fiscal stability and prosperity.

# A Long-Term Process of Reform, Innovation and Democratisation

- Building a strong social state, mobilising revenue, and addressing our infrastructural deficits cannot be done in the short-term. This puts even greater emphasis on long-term fiscal and price stability.
- A productive economy requires challenging economic powers and right-wing ideology (e.g. workplace democracy, 'Good Companies').
- Engaging in a cultural struggle over competitiveness requires a radically different way of engaging the pubic debate.
- There is an open door. In a recent Ireland Thinks poll, 50% do not trust the Government to manage public finances (38% do). 75% believe the budget was an attempt to 'buy' votes.
- The election is unlikely to feature these issues. Our first opportunity is when the new government, under the revised fiscal rules, needs to adopt a 5-year fiscal structural plan, **We need to get stuck in**.

Organising for Fairness at Work and Justice in Society

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