

Why we need an Economic Plan B

(and what it might look like)

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Research for new economic policies

Key Points

- Confronted with a major crisis of unemployment and therefore **social cohesion** across Europe
- Fiscal Austerity is **not** working
- We need a European (and Irish) Economic **Plan B** spearheaded by EU States with 'fiscal space'
- We need such a Plan **very soon** to begin to reverse the current disastrous path

Plan A

Reduce wage share of total income

Reduce the size of Government

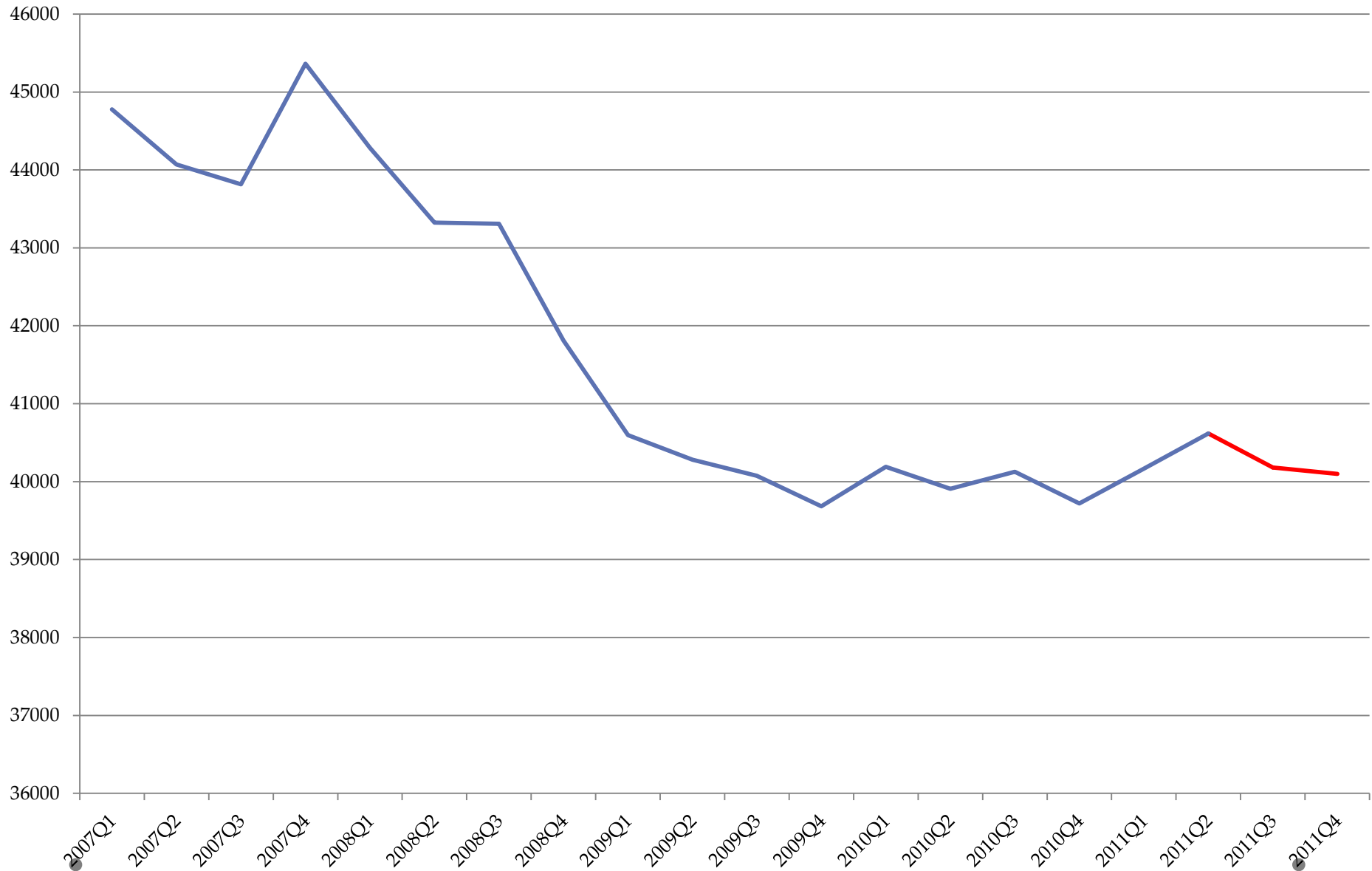
Liberalise labour & product markets

'Re-structure' welfare

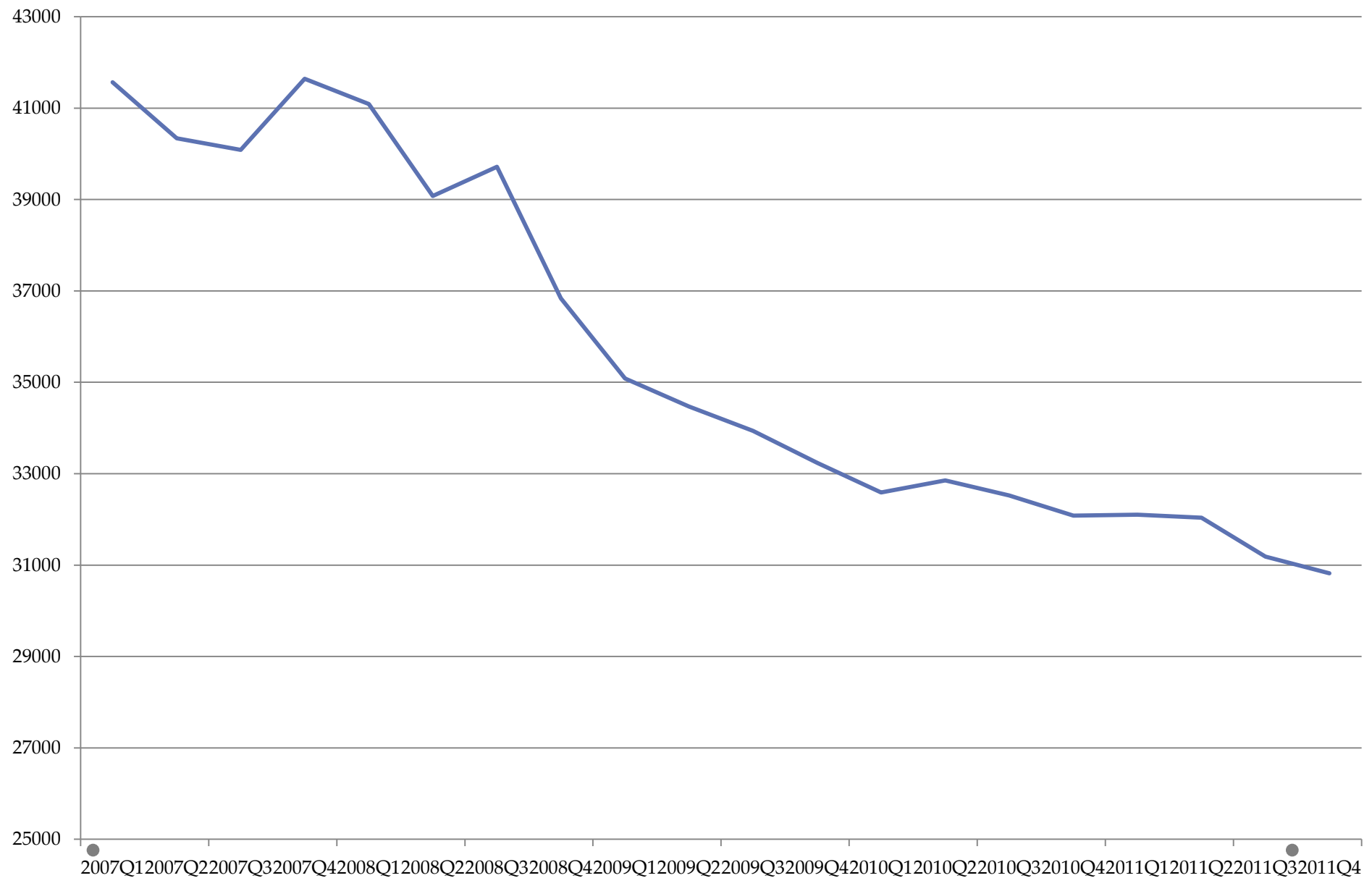
Incentivise work

Privitise remaining public enterprises

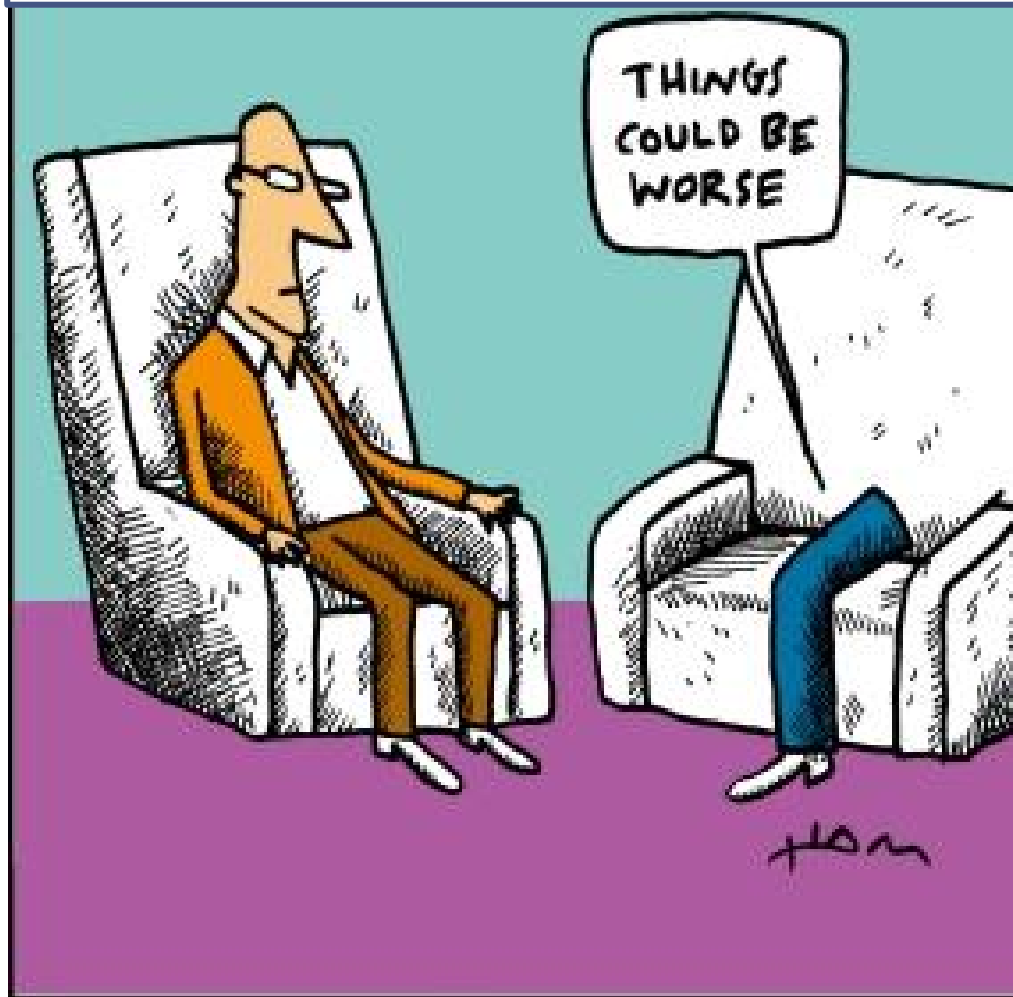
Stabilising (GDP)?



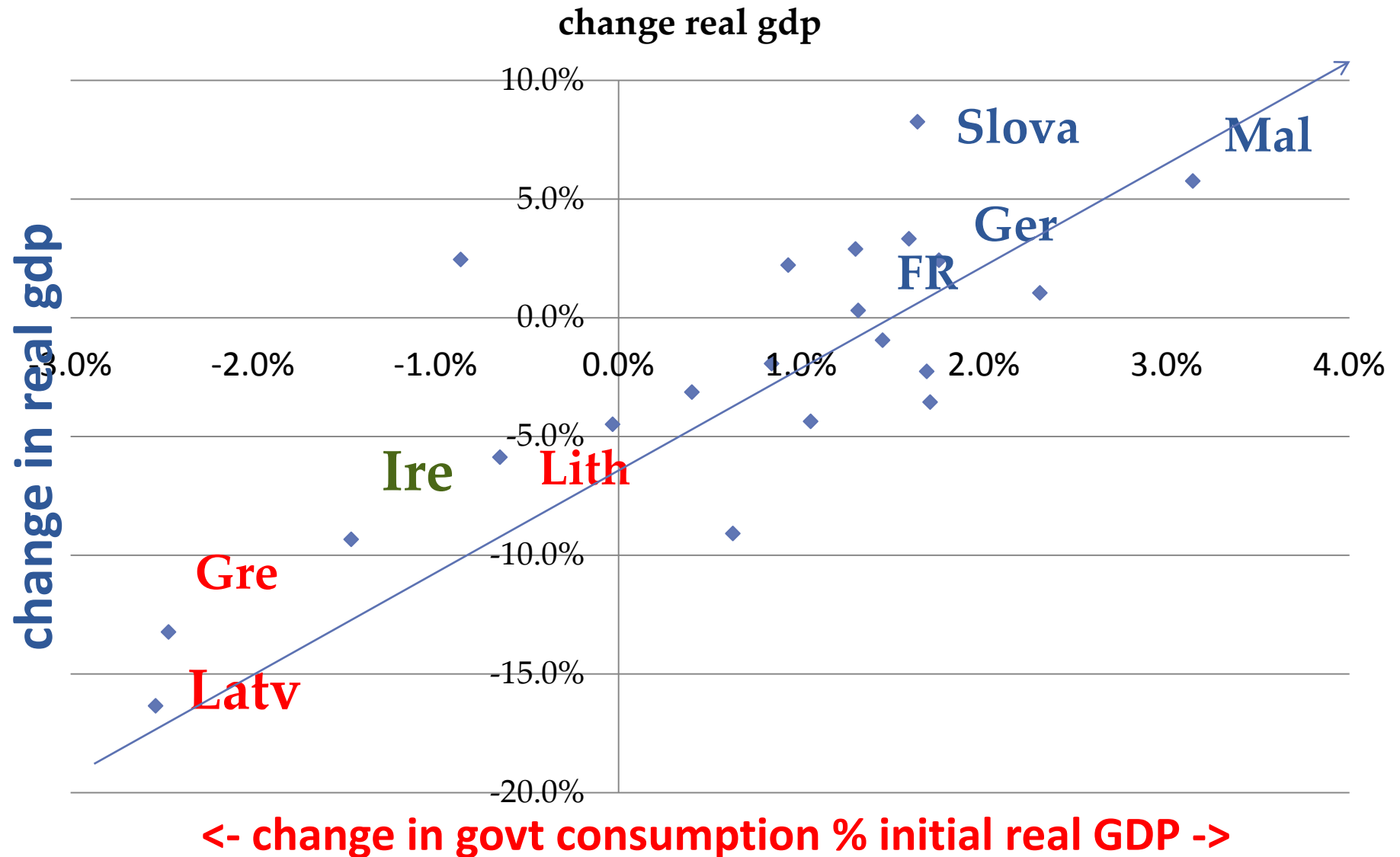
Domestic Demand



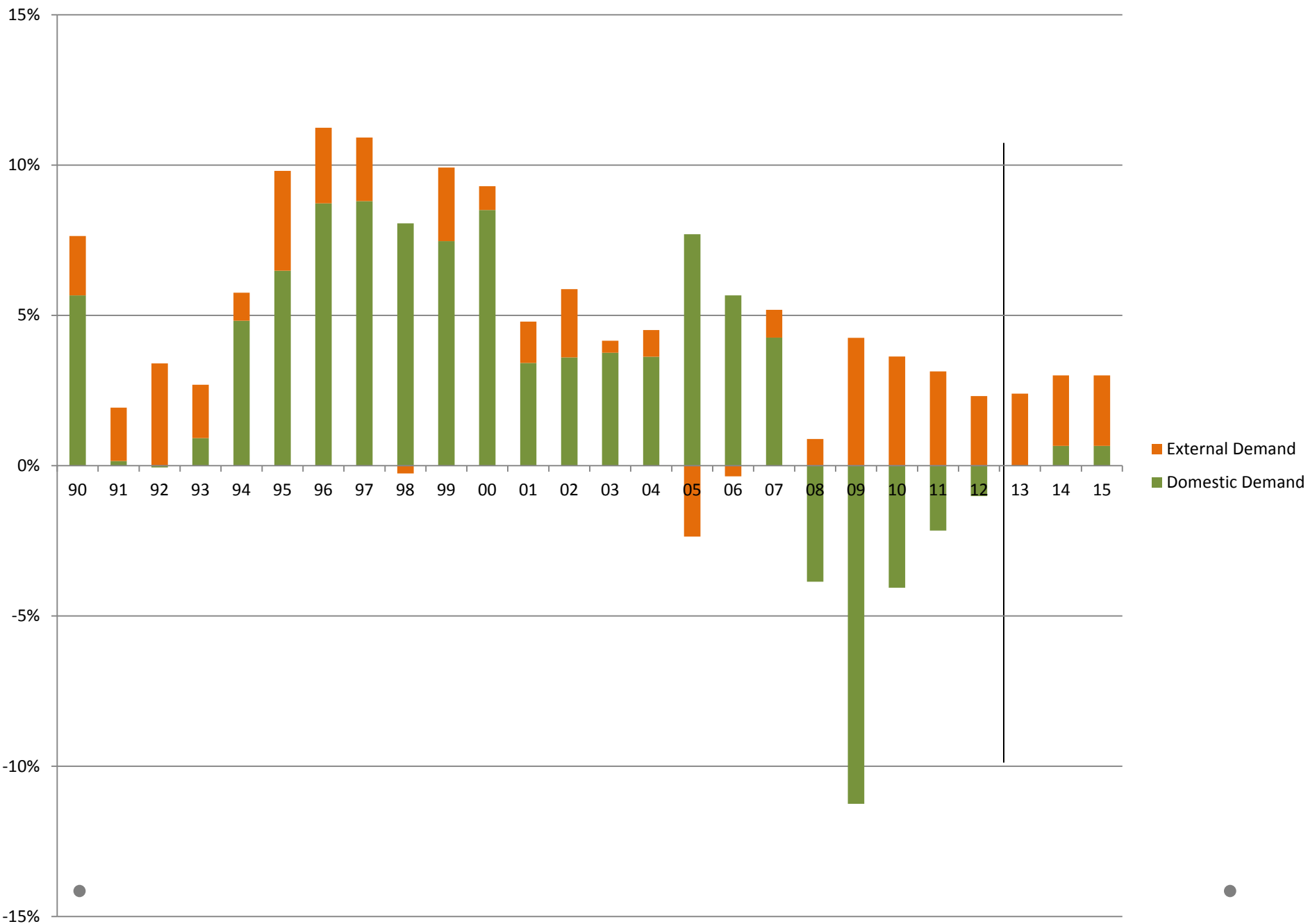
Seanfhocal



Austerity regression line

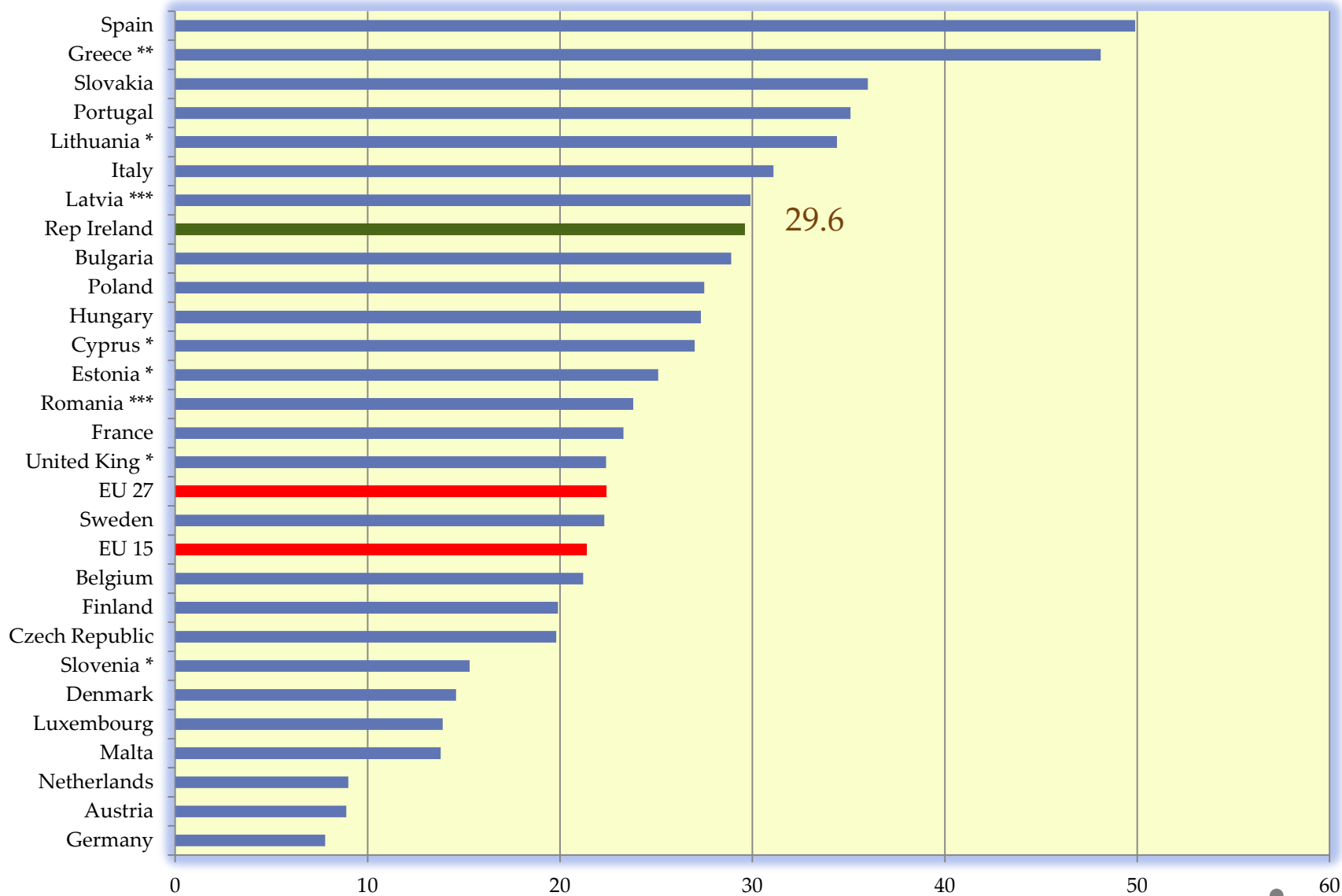


Components of growth in real GDP (% points)



Youth Unemployment – Jan 12

Indicator 2.2 – Quarterly Economic Facts



* Dec2011 ** Nov 2011 ***Sep 2011

Medium-Term Expenditure Reductions (CER, Dec 2011)

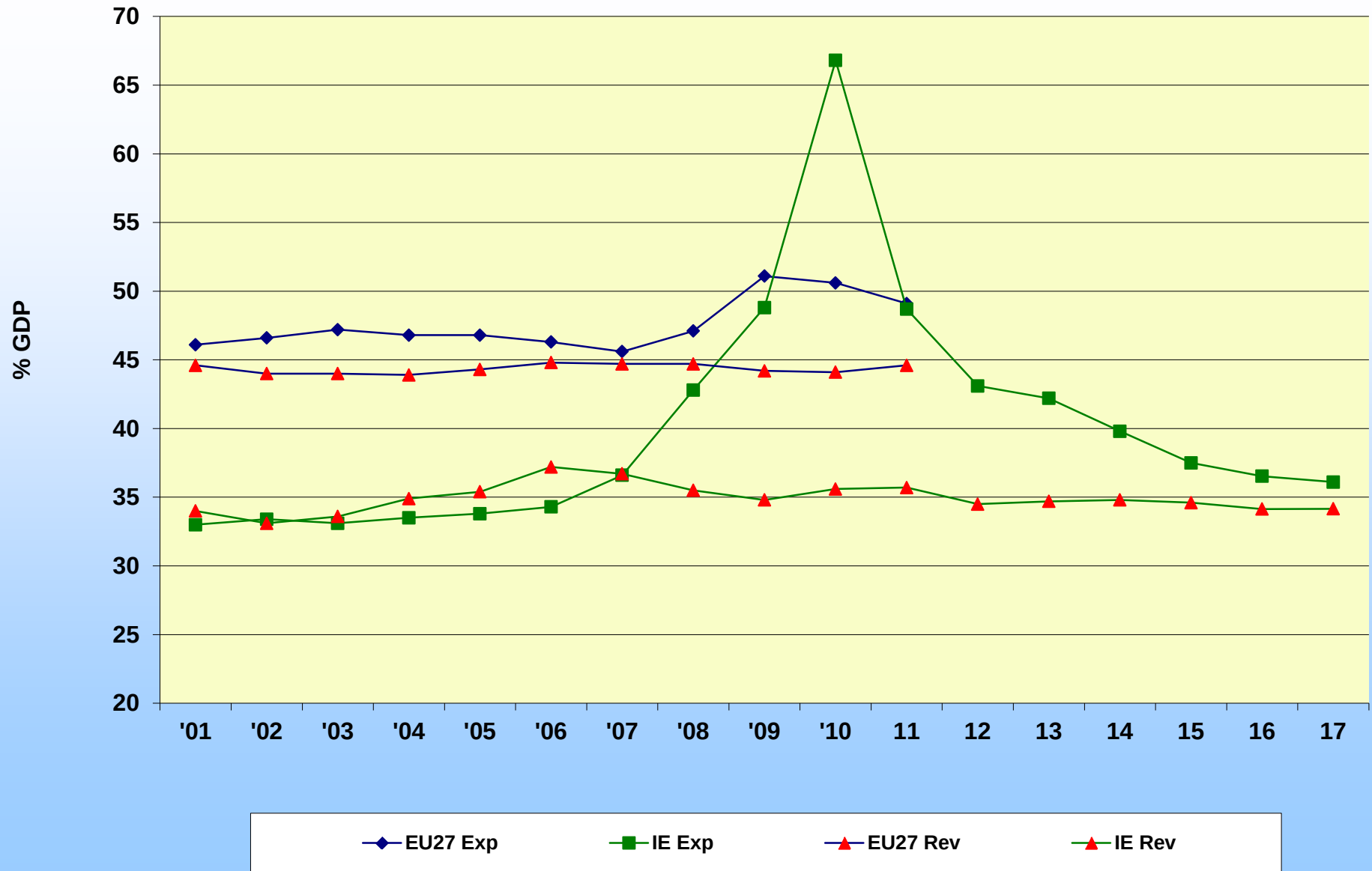
	2012	2013	2014	2015	Total
Current	1.45	1.70	1.90	1.30	6.35
Capital	0.75	0.55	0.10	0.00	1.40
Total	2.20	2.25	2.00	1.30	7.75

The Future of the Public Capital Programme

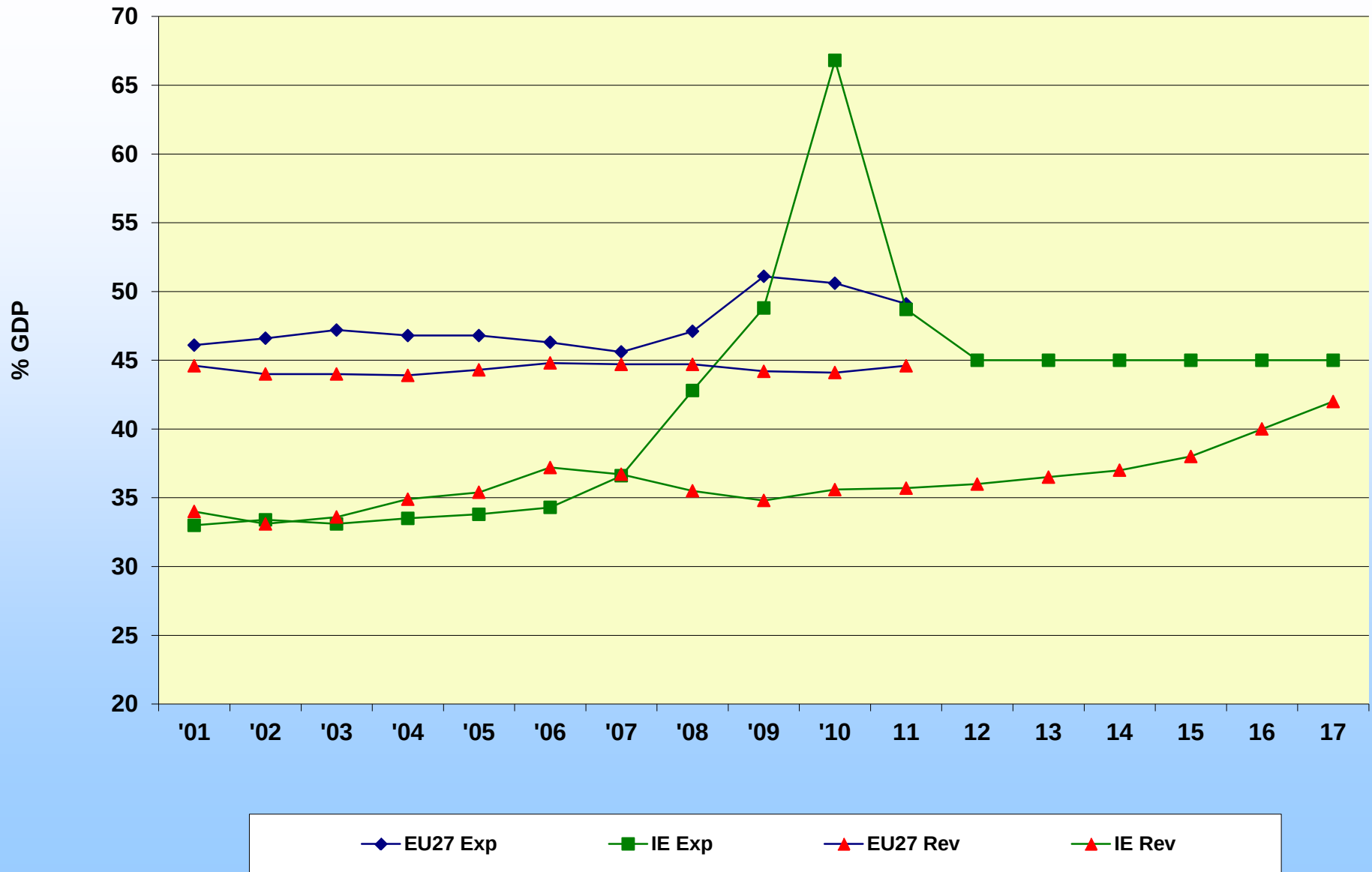
“We believe it is economic nonsense, when unemployment is so high and private investment has collapsed, to cut back on productive public investment. We cannot keep chasing the economy down by simply focusing on raised taxes/decreased Government spending.”

‘While revenue raising measures will play an important role, the need to reduce expenditure is an inescapable reality’ (CER, page 7)

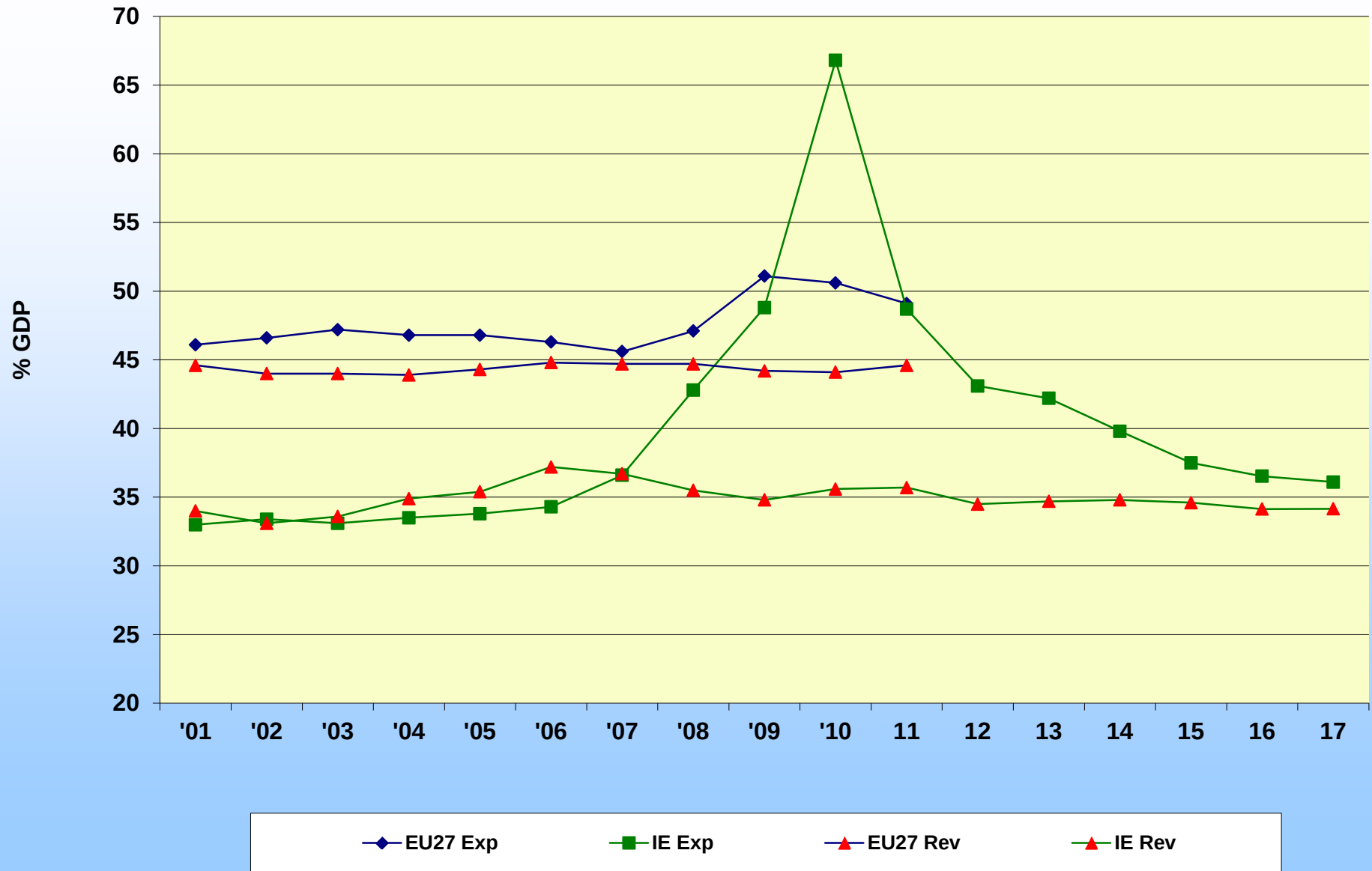
Plan A: Trends in govt. spend & Revenue



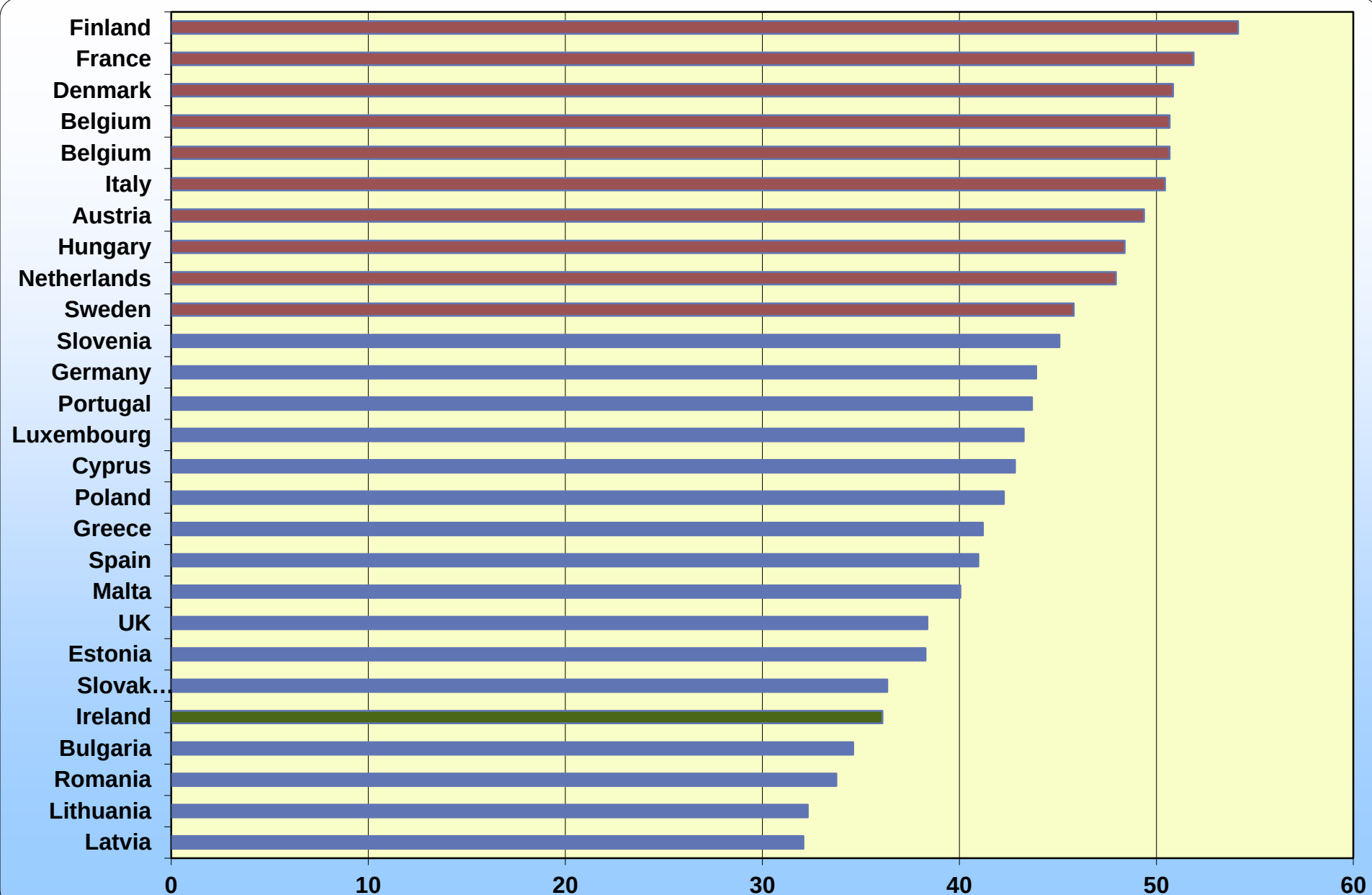
Plan B: Trends in govt. spend & revenue



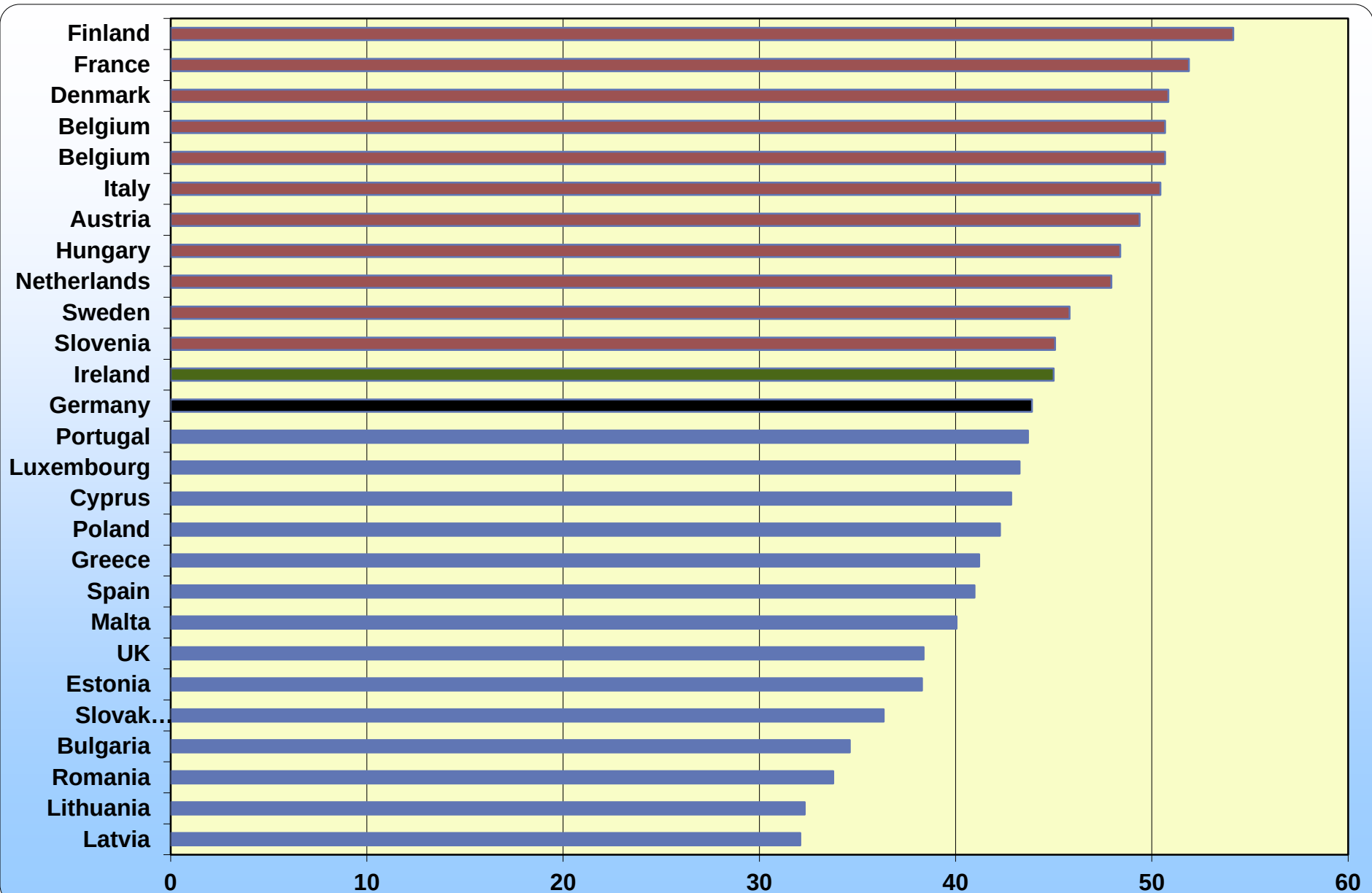
Plan A: Trends in govt. spend & Revenue



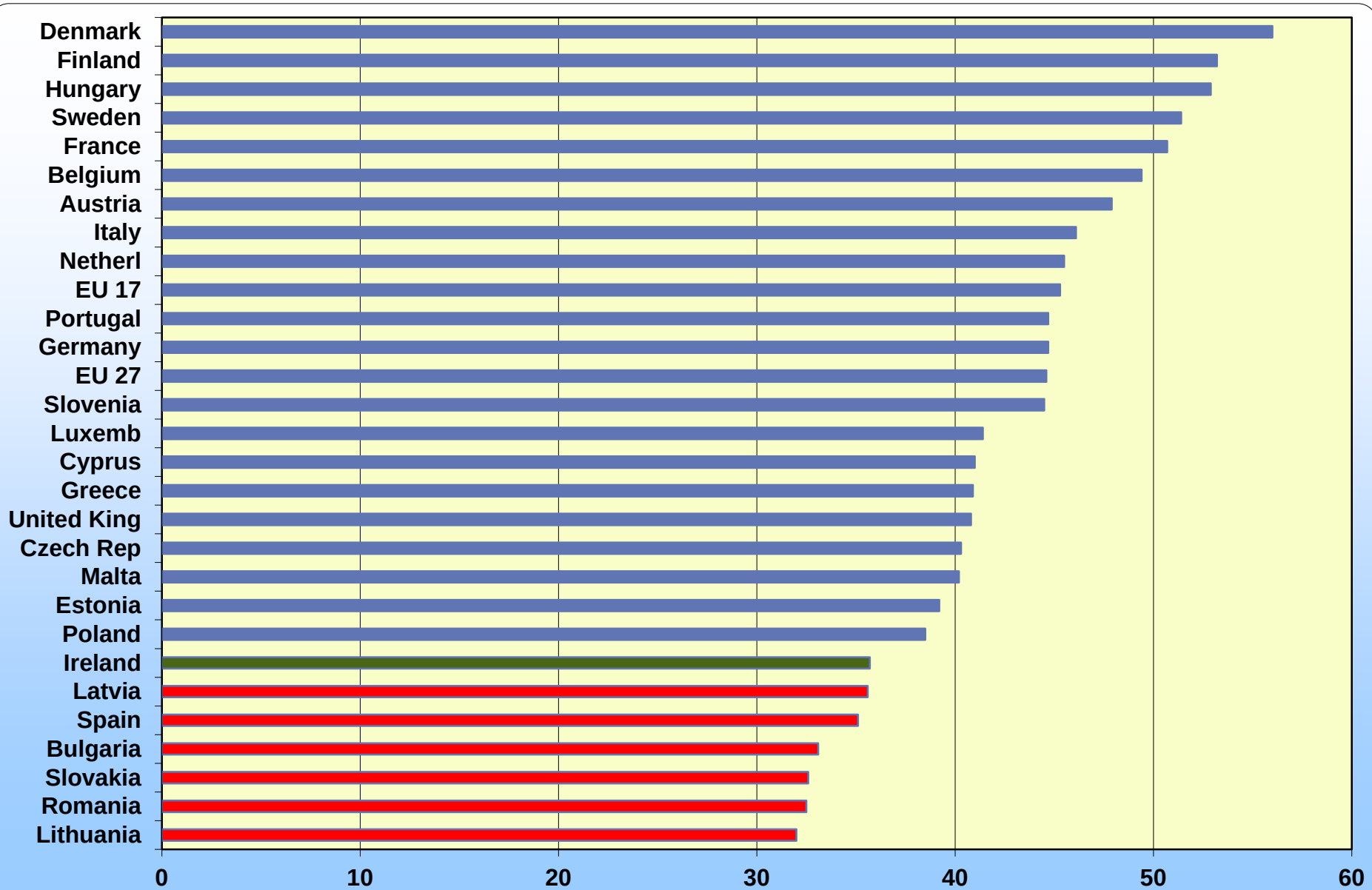
Plan A: Total Govt Spend % GDP 2017



Plan B: Total Govt Spend % GDP 2017



Plan A: Total Govt Revenue % GDP 2011



Who can pay?



Continuing at this scale, to include the income of €118 million, the average of the top three wealthiest households in Ireland in 2007, the chart would be 750m high or 12.5 times taller than Liberty Hall.

H.E.A.P. CHART

Hierarchy of Earnings, Attributes and Privilege Analysis



WHAT THE CHART REPRESENTS:

The H.E.A.P. (Hierarchy of Earnings, Attributes and Privilege) chart represents the income and attributes of the top 100,000 households in Ireland in 2007. The chart is composed of many small, colorful blocks arranged in a branching structure, representing the income and attributes of various households. The blocks are color-coded by household type and occupation.

The top 100,000 households in Ireland in 2007 had a total income of €118 million. The average income of the top 100,000 households was €1,180 per year. The chart shows that the top 100,000 households in Ireland in 2007 had a total income of €118 million. The average income of the top 100,000 households was €1,180 per year. The chart shows that the top 100,000 households in Ireland in 2007 had a total income of €118 million. The average income of the top 100,000 households was €1,180 per year.

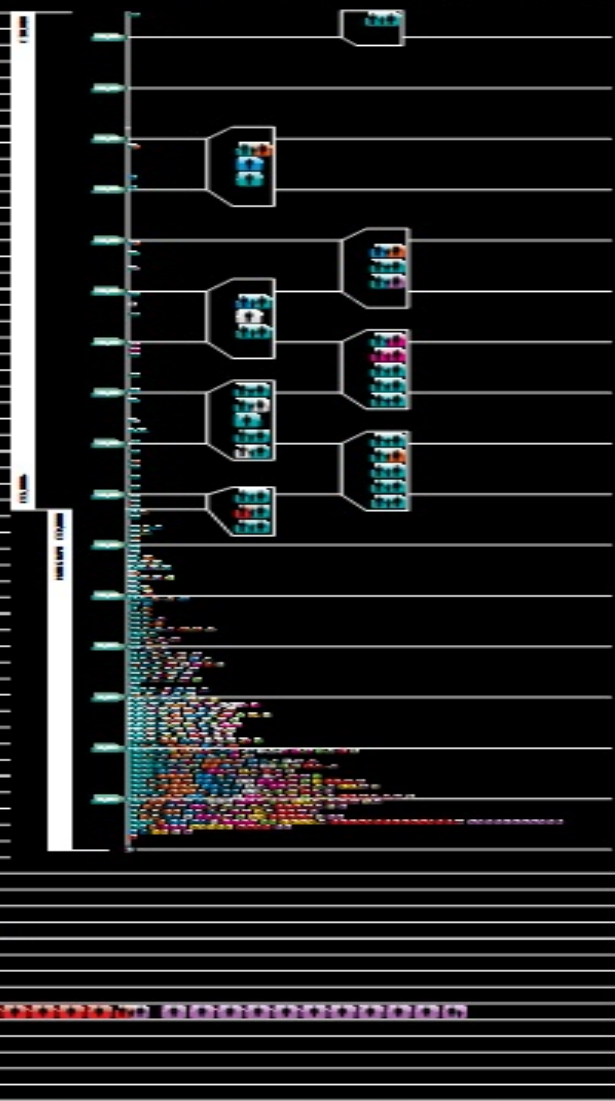
ON BOTH CHARTS, EACH ICON REPRESENTS 5,000 IRISH HOUSEHOLDS.

Each household type is represented by a unique color. The chart shows that the top 100,000 households in Ireland in 2007 had a total income of €118 million. The average income of the top 100,000 households was €1,180 per year. The chart shows that the top 100,000 households in Ireland in 2007 had a total income of €118 million. The average income of the top 100,000 households was €1,180 per year.

HOW TO USE CHART:

1. Add together the incomes of all adults in your household.
2. Then add any government benefits received.
3. Identify the household most closely comparable to your household type and occupation.
4. Locate your household level on the vertical axis of the chart.
5. Check the size for your tax income which most closely corresponds.

Source: Revenue Commissioners, National Income Survey, 2007. Data for the top 100,000 households in Ireland in 2007.



HOUSEHOLD TYPE

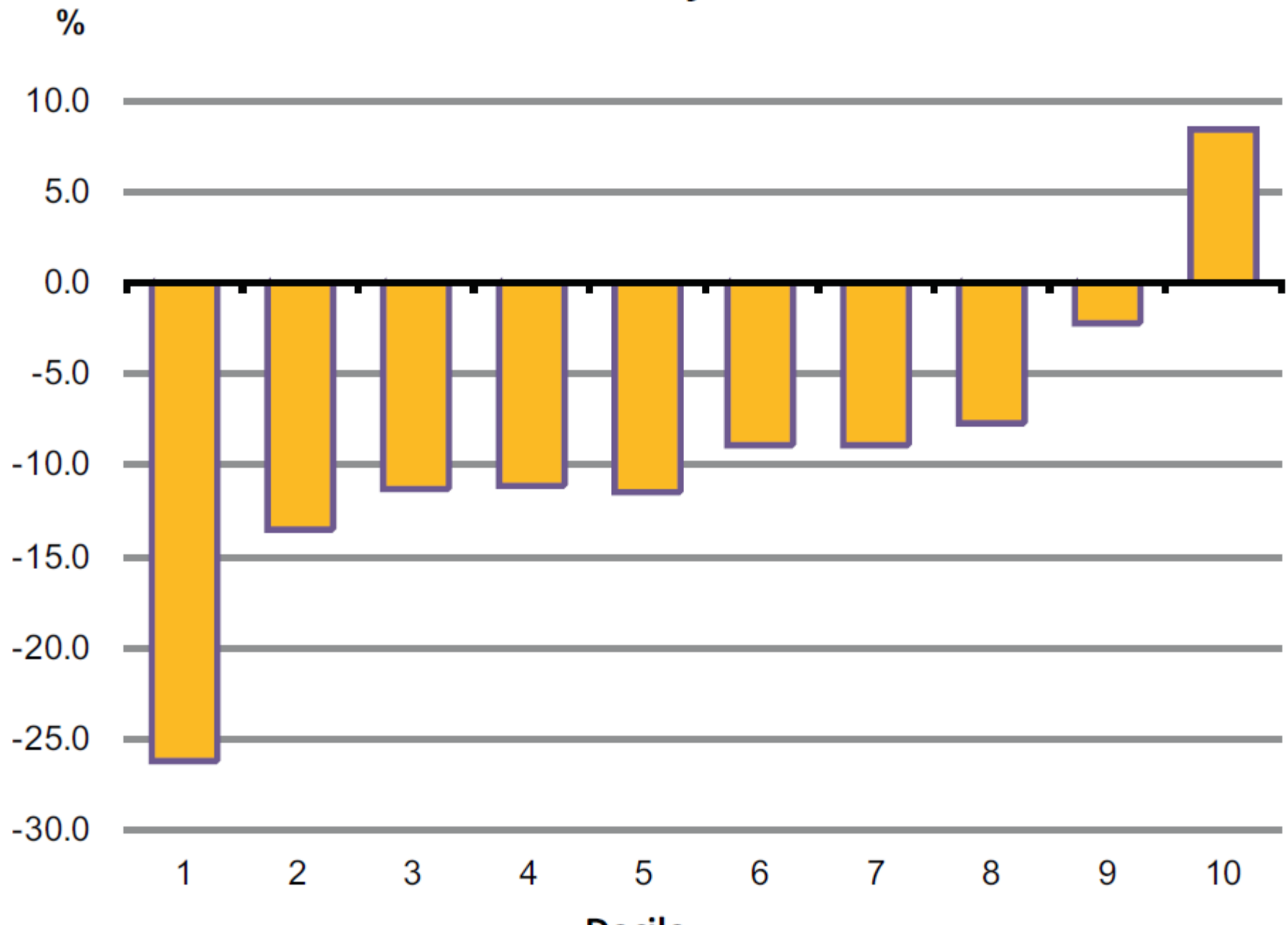
- Single person
- Couple
- Family with two children
- Family with three children
- Family with four children

Each icon represents 5,000 Irish households.

OCCUPATION

- Professional, managerial, administrative, and technical occupations
- Health professions, including nursing, midwifery, and allied health professions
- Manufacturing, construction, and mining occupations
- Services, including retail, food, and accommodation
- Information and communications technology occupations
- Agriculture, forestry, and fishing occupations
- Transport and logistics occupations
- Energy and utility occupations
- Other occupations

Fig 1d Percentage change in equivalised disposable household income by decile SILC 2010



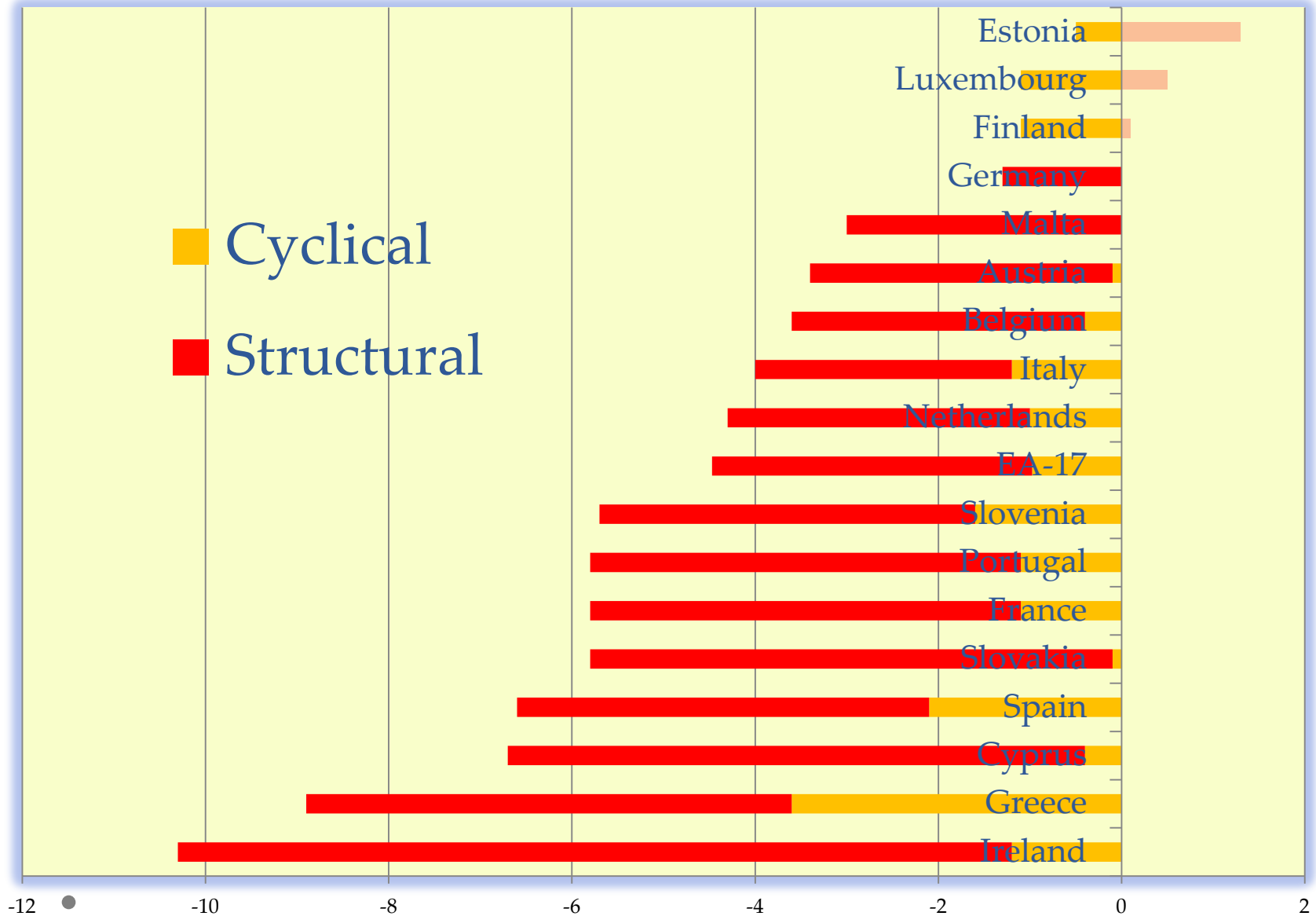
Towards a 0.5% structural deficit ?

	2011	2012	2013	2014	2015
Total Deficit	-10.1	-8.6	-7.5	-5.0	-2.9
'Structural' Deficit	-8.6	-8.0	-7.1	-5.3	-3.7
Further fiscal consolidation	-8.1	-7.5	-6.6	-4.8	-3.2

General Government Deficit % GDP 2011

 Cyclical

 Structural



Plan B – what might it look like?

- Part 1 **'do no further harm'** thru more cuts in public spending
- Part 2 **Investment** in social and economic infrastructure – **Green** New Deal
- Part 3a ***Afflict the comfortable*** - rebalance taxation towards unproductive wealth and high income – inc FAT tax

Plan B – what might it look like?

- Part 3b *Comfort the afflicted* - protect low pay/low income groups/young people
 - Part 4 Seek orderly, negotiated **debt write-downs** – private and ‘socialised’ private debt
 - Part 5 **Reform private and public sectors**
 - Part 6 **Grow indigenous, exporting firms in key sectors**
 - Part 7 **Reform Banking**
-

Plan B Strand 2

INVEST IN INFRASTRUCTURE

“We believe that the economic crisis provides us with a unique opportunity to invest in Ireland’s strategic infrastructure. There is huge spare capacity in the economy, with a large pool of skilled and un-skilled unemployed workers.”

**NPRF &
Commercial
Semi-State**

€5 billion

+

**Private
sources
(inc
pensions)**

€5 billion

+

**European
Investment
Bank**

€5 billion

**NPRF &
Commercial
Semi-State**

€5 billion

+

**Private
sources
(inc.
pensions)**

€5 billion

+

**European
Investment
Bank**

€5 billion



**€15 billion
Investment Fund**

NPRF &
Commercial
Semi-State

€5 billion

+

Private
sources (inc
pensions)

€5 billion

+

European
Investment
Bank

€5 billion



€15 billion
Investment Fund



Water

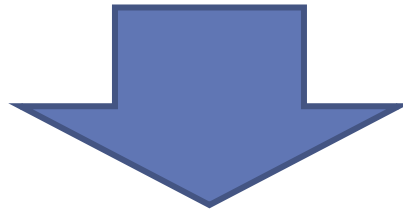
Broad-
band

Energy

Early
Child-
hood

Retro-
fitting

€15 billion Investment Fund



2013
€3bn

+

2014
€4bn

+

2015
€3bn

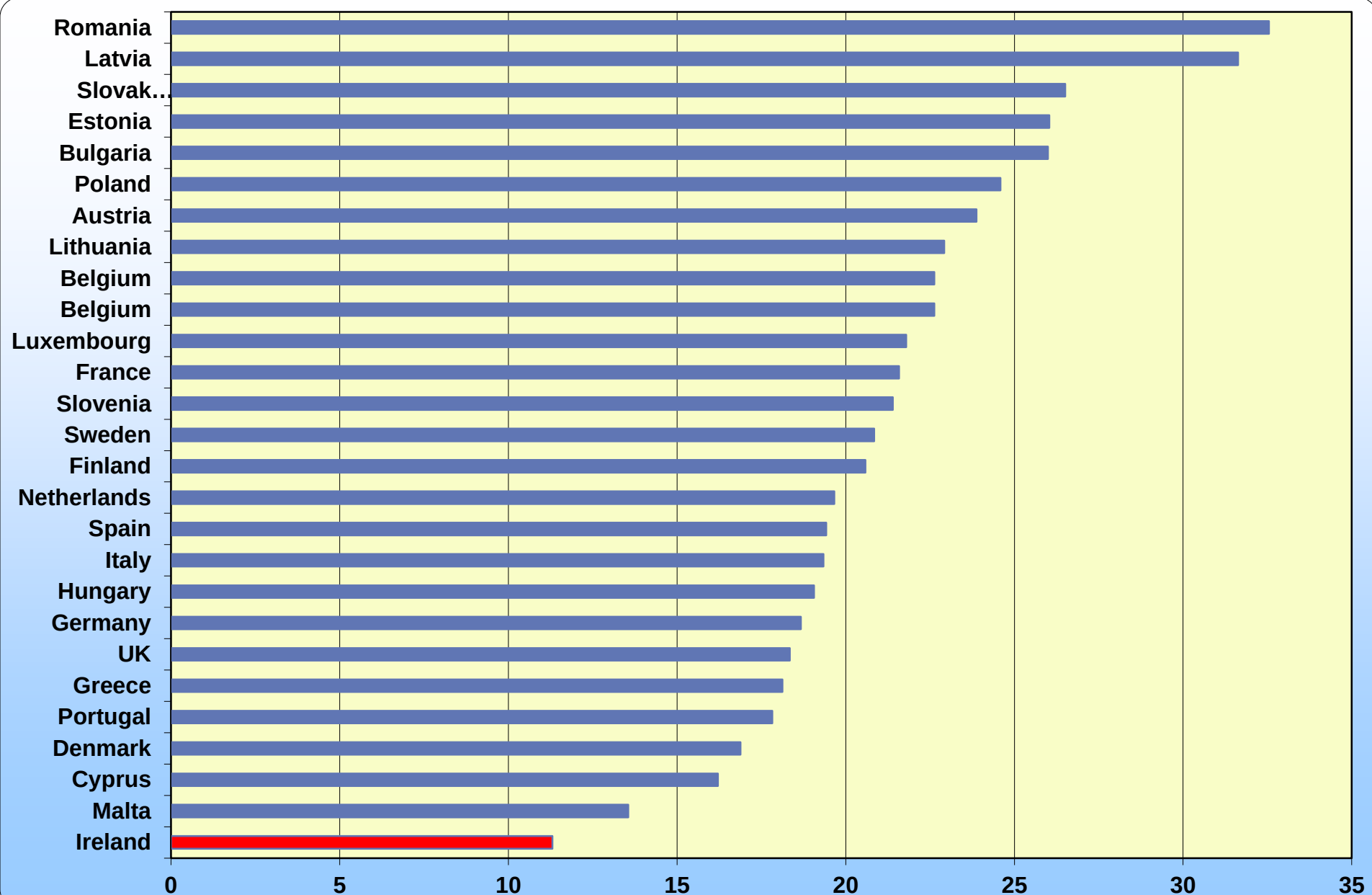
+

2016
€3bn

+

2017
€2bn

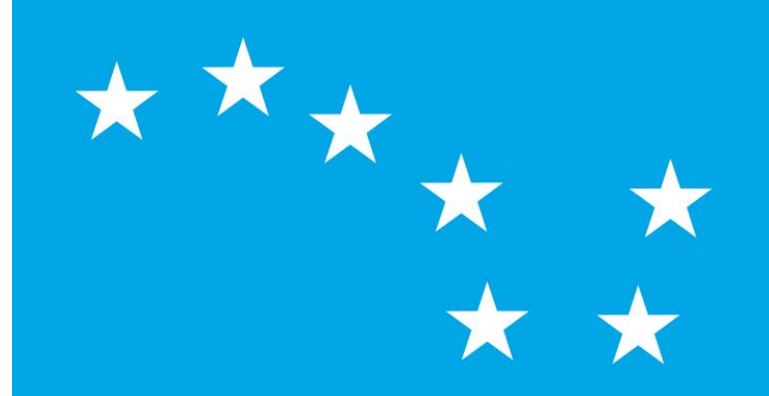
Plan A: Investment % GDP in 2017



Would it be possible to imagine in 2022?

- Fundamental **human rights** – cultural, economic and social – are respected in both jurisdictions of the island?
- Some measure of lost **economic sovereignty** is restored following the ignominious events of Autumn 2010?
- That sovereignty is shared in a **renewed European project** based on stronger economic integration and democratic governance?
- Both parts of the island of Ireland take their place along with Britain and other Northern European States as an example of a **social market economy** based on the principles of freedom and human solidarity consistent with the aspirations of the Democratic Programme of the first Dáil?





***Ar scáth a chéile a
mhaireann
pobal na hEorpa***



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