

General Election Briefing

February 2011

Building a viable future that is both just and sustainable

Every thirty years or thereabouts since independence, Ireland has had major crises. In the 1920s, 1950s, 1980s and again in the current decade there have been major upheavals and on each occasion the very viability of the state was questioned.

In each previous crisis, as a nation we have found a pathway through to a better future. In fact each of those pathways produced huge opportunities which were taken up by people. Many benefited.

However, consistently as a nation we have failed to stay focused on what is required to build a society characterised by human dignity, social justice, sustainability, equality/human rights, the common good and solidarity.

These are the values *Social Justice Ireland* believes should be at the core of society.

We believe that many people in Ireland share our view in this regard and are prepared to do what they can to build such a society.

The failure to build on the pathways out of previous crises has been caused, in part, by the false assumptions which underpinned the decisions made. (cf. page 2) Some of these false assumptions contributed in many ways to the current crises.

The failures were also based on flawed social analysis and on lack of a viable guiding vision (pp 3/4).

This General Election comes at a very difficult moment for Ireland. As identified by the National Economic and Social Council there are a range of crises to be addressed - banking, fiscal, economic, social and reputational.

It is crucial that voters and political parties reject the false assumptions and flawed analysis that have under-

mined policy.

It is also crucial that they focus on the vision of Ireland's future that should guide government in the short, medium and long term (p.5). Otherwise past mistakes may be repeated and decisions may be taken for short-term gain but with negative, long-term consequences.

Policy priorities should flow from an accurate social analysis and a viable guiding vision. On page 6 we spell out what *Social Justice Ireland* considers these priorities should be.

Social Justice Ireland provides this Briefing to assist people as they assess the current situation and decide the direction they believe Ireland should take.

Whether people agree with our assessment of the situation or not the crucial point is that people should cast their vote for candidates they believe will produce a viable future.

Man's capacity for justice makes democracy possible. But man's inclination to injustice makes democracy necessary.

- Reinhold Niebuhr

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False assumptions led to policy failures - and they continue to do so

The dominant narrative that underpins policy-making and public discourse in Ireland at present is deeply flawed. A narrative sets out how we explain ourselves to ourselves and others. It addresses key questions of how we got to be in the situation we're currently in, where we are now, our vision of the future and how we can reach that desired destination.

A more accurate narrative for Ireland would include the following:

1. Ireland's policy-making for more than a decade was guided by many false assumptions concerning economic growth, taxation, services and infrastructure. Among these were the following:

- Economic growth was good in itself and the higher the rate of economic growth the better it would be for Ireland. The promotion of growth as an end in itself became the focus of policy.
- The benefits of economic growth would trickle down automatically.
- Infrastructure and social services at an EU-average level could be delivered with one of the lowest total tax-takes in the EU.
- The growing inequality and the widening gaps between the better-off and the poor were not important.
- Low taxation was good and reducing tax rates would lead inevitably to an increase in tax-take.
- Giving big tax breaks to the wealthy was good for the economy and good for society.
- "Giving people back their own money", through reducing taxes, was far better than investing that money in developing and improving infrastructure and services.

- Ireland had a great deal to teach the rest of the world about development.
- 2. Many policy failures arose from these false assumptions.** Among these policy failures were:
- Failure to take action to broaden the tax base or to promote tax equity.
 - Failure to overcome infrastructure deficiencies, in areas such as broadband, public transport, primary health care, water, energy, social housing and waste.
 - Failure to adequately address high energy costs or to promote competition in sheltered sectors of the economy, such as professions.
 - Failure to appropriately regulate banking and financial services or to manage the growth of person-

nel numbers in the public service.

- Failure to evaluate outcomes across the policy spectrum.
- 3. These, and similar, policy failures produced much of the current series of crises that Ireland is facing** – banking, public finances, economic, social and reputational.
- 4. These crises are being exacerbated by persevering with failed policies and false assumptions.** Principal among these are an insistence by many in the current crises that:
- Ireland's total tax-take must remain as one of the lowest in the EU.
 - The economy should have priority over all else.
 - Saving all the major banks from collapse is the top economic priority.
 - Cuts in public expenditure are the key. (These are important but only part of the solution).

Ireland's current range of crises were the result of a series of false assumptions.

Many of these same assumptions continue to underpin attempts to address these crises.

Until these false assumptions are rejected, Ireland will fail to address its current crises effectively.

The failure to acknowledge that economic development, social cohesion and environmental protection are different sides of the same reality lies at the core of Ireland's failures over the past decade and more. This failure should be addressed.

Policy-making must recognise that these three dimensions of reality can only progress effectively in a balanced and integrated manner.

A much more detailed analysis of false assumptions and their impact on public policy is available in our publication 'An Agenda for a New Ireland' which can be accessed at www.socialjustice.ie or purchased from our office.

Simple truths - the broader context needs to be understood in all its dimensions

If there is to be a successful resolution of the current series of crises that have engulfed Ireland in recent years it is essential that there be an accurate social analysis on which action can be built. Many simple truths have been or are being ignored at present. On this page we focus on the broader context and on the following page we focus on specific issues.

These are some of the simple truths concerning the broader context that *Social Justice Ireland* believes should be addressed by the 31st Dail.

- Ireland is facing five different crises at this time (as identified by NESG). There are a banking crisis, a public finance crisis, an economic crisis, a social crisis and a reputational crisis.
- **Ireland must pay its way and the State's finances must be brought into balance.**
- Ireland is in an extraordinarily precarious position as it seeks to meet the requirements of the EU/IMF bailout programme.
- **Ireland's borrowing to fund Government expenditure is unsustainable.**
- There is a need for public service reform.
- **There is a need to get better value for the money being spent by Government.**
- The EU/IMF Bailout terms are very severe and meeting them is likely to seriously damage the economy.
- **Those who are poor and/or vulnerable are bearing an inordinate part of the burden of restructuring. This, in practice, is leading to them being dispossessed as their resources (financial and ser-**

vices) are being appropriated to pay those who took risks, gambled their resources, lost and are now to be fully re-paid.

- This process may be legal but it is profoundly unjust. It is a process which is securing and protecting the position and resources of those who are rich while taking away even the little they have from those who are poor, vulnerable and on the margin. It should not be allowed to continue.
- **The scale and pace of the adjustment being sought is such that it is seriously damaging the economy.**
- Seeking to achieve two thirds of the adjustment through expenditure cuts rather than tax increases is wrong in a country where the total tax-take is one of the lowest in the western world.
- **The adjustments fail to provide for the employment**

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growth and support that is essential if Ireland is to emerge from this series of crises.

- The latest Central Bank Quarterly Bulletin has produced growth predictions that are substantially lower than those contained in the Government's Budget. This brings the Government's other predictions into serious question. *Social Justice Ireland* predicted this would be the case when the Budget was published
- **The bailout programme can be re-negotiated. This re-negotiation should lead to an outcome:**
 - ⇒ **Which is fair and just,**
 - ⇒ **Where the 'hit' is shared by all those who caused the current series of crises and**
 - ⇒ **In which those who are poor and vulnerable are protected.**
- There are serious problems with Ireland's governance. While some progress has been made in areas such as the Central Bank and the Financial Regulator, the core institutions of our democracy are problematic.
- **Social dialogue (between Government and Civil Society among others) is an essential component of any modern democracy. It is essential to secure society-wide cooperation.**
- Sustainability is a critically important issue. It requires that policies across the spectrum promote development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Simple truths are often ignored and policy is developed based on flawed social analysis

Within the broader context outlined on page 3 there are a range of specific issues that have a very direct impact on a great many people. There are many simple truths concerning these issues that need to be identified and analysed accurately if the current series of crises are to be addressed in a meaningful and effective manner.

These are some of the simple truths concerning specific issues that *Social Justice Ireland* believes should be addressed in the 31st Dail.

- **Ireland is a very low-tax economy. While Ireland's total tax-take (i.e. all taxes, charges and social insurance payments) hover around 30% of GDP (c.f. Department of Finance, Budget 2011 p.D25), the EU's statistical agency, Eurostat, recognises any country with less than 35% as a low-tax country. The only countries in the EU-27 taking a lower percentage of GDP in tax are Latvia, Lithuania, Slovakia and Romania.**
- Likewise Ireland's total Government expenditure as a percentage of GDP is low by EU standards with only Estonia, Lithuania and Slovakia spending less in GDP terms.
- **In reality Ireland's tax system is unfair, its tax base is too narrow and its total tax-take is too low.**
- Ireland's economic and social infrastructure is not at the level required in areas such as broadband, public transport, water, primary healthcare, energy, social housing and waste.
- **Ireland's social services have**

been developed on a two-tier basis which has produced major problems in areas such as access to healthcare and adult literacy.

- 14.1% of Ireland's population are living in poverty i.e. they have an income equivalent to less than €11,585 a year (€222.18 a week) for a single person or €26,877 (€515.46 a week) for a household of four.
- **If social welfare was not paid there would be 46.2% of Ireland's population in poverty. So it is clear that reducing welfare payments will increase poverty.**
- Policies since 1987 have increased the income of the richest 10% of households and widened the gap between these and the rest of society. Now the top 10% of earners receive 24.48% of all disposable income - an increase of 1.34% on the situation in 1987. The poorest 10% of the population receive only 2.2% of disposable income.

If there is to be a successful resolution of the current series of crises that have engulfed much of the world it is essential that there be an accurate social analysis on which action can be built.

- **Almost a quarter (22.8%) of all households at risk of poverty are headed by a person with a job. These are the working poor. Government has refused to make tax credits refundable - which is the one mechanism that has the potential to transform this situation.**
- These working poor households were badly hit in Budget 2011. They were put into the tax net, the Universal Social Charge was applied to those with incomes above €80 a week, child benefit was reduced, the minimum wage was reduced and charges for services were increased and/or introduced.
- **More than 430,000 people are unemployed. Of these 140,000 are long-term unemployed—the highest since the mid-1980s.**
- More than 1,000 people are emigrating every week. The ESRI forecast is that 100,000 will emigrate over the two-year period 2011-12.
- **More than 60,000 households are on waiting lists for social housing.**
- Progress is seen as an economic issue only. Policy is often developed on the basis that economic growth will produce all other aspects of wellbeing for all of Ireland's people. This approach has never worked in the past and is not working now.

Further information on all of these issues is available on our website www.socialjustice.ie and in our various publications.

What vision should guide Ireland's decision-making in the years ahead?

Ireland needs a new vision to guide policy development and decision-making. The core values that should underpin a guiding vision for Ireland are:

- Human dignity,
- Social justice
- Sustainability,
- Equality/human rights,
- The common good and
- Solidarity .

Ireland needs to see these values at the core of the vision of its future as a country where:

- Every man, woman and child has what is required to live life with dignity i.e.
- ◇ Has sufficient income,
- ◇ Has access to the necessary services,
- ◇ Is actively included in a genuinely participatory society and
- ◇ Has access to meaningful work.
- Sustainability (economic, social

and environmental) is a central motif in policy development. This would mean that:

- ◇ International economic competitiveness is developed and sustained.
- ◇ Economic development, social development and environmental protection are seen as different sides of the same reality, all interdependent.
- ◇ Balanced regional and global development would be at the heart of the vision of Ireland's future.

The core values that should underpin a guiding vision for Ireland are:

- ***Human dignity,***
- ***Social justice***
- ***Sustainability,***
- ***Equality/human rights,***
- ***The common good and***
- ***Solidarity.***

- Equality and a rights-based approach are at the core of public policy.

- The common good is a constant goal of policy development.

- Solidarity is at the core of what we do. For this to be real we need to:

⇒ Recognise the importance of shared social responsibility (cf story below).

⇒ Our vision must be inclusive and should be viable in all parts of the world. We must also play our part, even in difficult times, to support the world's poorest.

Ireland's guiding vision should also include a further dimension that is essential if these core values are to be maintained at the core of Ireland's policy-making and decision-making.

- Participation by all must be seen as an essential component of all decision-making. This participation must go beyond traditional consultation to ensure decision-making is based on good social analysis and real experience.

Towards a world of shared social responsibility

National and international policy-makers need to recognise the scale of the challenges that face us now and move to develop a world characterised by shared social responsibility.

Across the world today there is growing poverty and precariousness; increasing public and private over-indebtedness; increasing environmental risks; increasing mistrust of institutions.

There is also a growing recognition of the limits of the welfare state, the limits to growth, the limits of the environment. New approaches are required if these challenges are to be met. These new approaches need to recognise the importance of shared social responsibility.

Shared social responsibility is a crucial issue if integrated development is to be achieved. We all have a responsibility to contribute towards address-

ing our current problems and moving Ireland towards the vision outlined above. No one sector or group can deliver this vision. We all must acknowledge and act on our shared social responsibility.

Everyone can play a part. We need a debate which names and apportions responsibility. We need appropriate structures which support people in owning and meeting their responsibility in delivering this shared vision.

What policies are required to move towards such a vision in the years immediately ahead?

Social Justice Ireland believes that the following policy priorities are required to move Ireland towards the alternative vision spelt out on page 5:

- Renegotiate the EU/IMF Bailout to reduce the interest rate being paid, to lengthen the period by which the fiscal 3% target is met, to divide the 'hit' in a fairer manner and to generate jobs. A renegotiated programme should:

⇒ Minimise the exposure of the taxpayer to the losses incurred by banks and the consequent expenditure of tax-payers' money on rescuing these.

⇒ Extend the time-frame for full re-balancing of Ireland's budget.

⇒ Change the balance between expenditure cuts and the increased tax-take so that the latter accounts for two thirds of the adjustment.

⇒ Include a package aimed directly at creating jobs.

⇒ Include a mechanism for ensuring that credit is made available to small and medium enterprises. This could be a new bank along the lines of the Industrial Credit Corporation which operated from the 1940s to the mid-1990s.

- **Raise Ireland's total tax-take in a fair and equitable manner while keeping Ireland a low-tax economy (i.e. below 35% of GDP which is the cut-off level provided by Eurostat for a low-tax economy). Do this**

⇒ **by eliminating the tax breaks that benefit only the better off and**

⇒ **by broadening the tax base.**

- Provide the necessary resources over time to raise Ireland's infrastructure (e.g. broadband, public transport, social housing) and social services (e.g. healthcare, education) at least to the EU-average level.

- **Focus economic growth on increasing per-capita National Income.**

- Reform the Public Service to ensure it maximises its capacity and delivers appropriate outcomes.

- **Ensure Ireland's economy is internationally competitive.**

- Address the reality of unemployment for both short-term and long-term unemployed people.

- **Reduce poverty with a particular focus on reducing child poverty.**

- Develop long-term planning and ensure all actions taken serve the long-term needs of Irish society.

- **Tackle inequality and develop a rights-based approach to policy development.**

- Redistribute resources to reverse the current trend of the richest benefitting most.

- **Ensure that getting value for money is the norm where public expenditure is concerned.**

- Develop policy on the life-cycle basis e.g. children, people of working age, older people and people with disabilities as set out in the NESC study on the Developmental Welfare State.

- **Commit to reaching the 23 high-level goals for various stages of the life-cycle set out in *Towards 2016*.**

- Increase Ireland's Third World Aid budget to 0.7% of GNP by 2015 as already promised.

- **Develop shadow national accounts that include items other than money-measured growth.**

Renegotiate the EU/IMF Bailout so as to:

⇒ ***Reduce the interest rate being paid,***

⇒ ***Lengthen the period by which the fiscal 3% target is met,***

⇒ ***Divide the 'hit' in a fairer manner and***

⇒ ***Generate jobs.***

Social Justice Ireland's most recent Socio-Economic Review entitled '*An Agenda for a New Ireland—Policies to ensure economic development, social equity and sustainability*' addresses these issues and looks in detail at twelve key policy areas.

These are: income; taxation; work; public services; housing and accommodate; healthcare; education and educational disadvantage; intercultural and migration issues; participation, sustainability; rural development and the developing world. It can be accessed free of charge on our website www.socialjustice.ie. Printed copies can be purchased directly from our office.

From individualism to anxiety to greed - a journey that must be reversed.

Developments over the past decade and more and the Government's response to the multi-faceted crises Ireland has been encountering have produced a situation which is dominated by fear, individualism, anxiety and greed.

Individualism in the sense of people being seen as isolated, self-sufficient, economic individuals grew dramatically in recent years.

More and more the individual has come to be seen as the primary unit of social reality and community connectedness is down-played and resisted.

This individualism is seen as a virtue. Such an individual is seen as autonomous, owing nothing to anybody, accountable to nobody, responsible for nothing and can rely on nobody only himself or herself.

Such a person is seen almost exclusively in economic terms. This is the kind of person who deserves to "get their own money back" through keeping taxation low according to much of the rhetoric of recent years.

According to this understanding the sum of Irish people's individual decisions would produce far better re-

sults for Ireland than allowing Government to decide how best to use the money. This assumption is false.

When pushed to the extreme individualism gives way to anxiety.

Anxiety follows the growing realisation that individualism as described above is not an adequate basis for making long-term progress or securing people's well-being.

Self worth is measured in terms of possessions especially money. One never has enough or has done enough to be safe and satisfied.

As a result, the autonomous individual that is championed in much current economic theory is caught in an endless rat race of achievement that produces bottomless anxiety – about the market, about performance, about self-worth.

This anxiety leads many people to experience growing insecurity, pressure and threat.

This in turn feeds into the wider society and how it experiences itself. The individual person experiencing anxiety often responds by seeking to get more, to have more, so as to control the future. This often leads to greed.

Greed generates what has been described as ravenous acquisitiveness so that life becomes a passionate pursuit of every form of security. This in some ways explains why people who have the most usually think they do not have enough. Those with less imitate this ravenous greed. It is not difficult to see how this played a large part in a process where lenders were attracted to give out loans because of the easy income that would supposedly flow from interest payments. Borrowers took the loans as they imagined a better future beyond their current 'deprivation' or a more secure future that would counteract the anxiety they were experiencing. This situation was exacerbated by a 'bonus' culture which incentivised reckless lending with no sanction for bad decisions or long-term negative consequences.

This series of developments which saw the growth of individualism, anxiety and greed formed part of the core of why Ireland (and much of the Western world) got to be where it is today. A pathway out of this morass is needed. That pathway should be guided by a vision of Irish society, a New Ireland, towards which policy can be guided as outlined on page 5.

The Common Good

Social Justice Ireland understands the term 'common good' as "the sum of those conditions of social life by which individuals, families and groups can achieve their own fulfillment in a relatively thorough and ready way" (Gaudium et Spes no. 74). This understanding recognises the fact that the person develops their potential in the context of society where the needs and rights of all members and groups are respected. The common good consists

primarily in having the social systems, institutions and environments on which we all depend, working in a manner that benefits all people simultaneously and in solidarity.

A 2009 NESC study states that "at a societal level, a belief in a 'common good' has been shown to contribute to the overall well-being of society. This requires a level of recognition of rights and responsibilities, empathy with others and values of citizenship."

Recent developments have impacted very negatively on many of Ireland's weak and marginalised e.g. the working poor, low income families, other poor people, carers, sick people, children, people with disability, unemployed people and those who depend on public services.

The common good requires that the process that produced such outcomes should be reversed in the years immediately ahead.

Questions to ask candidates and political parties

The following questions may help readers when they are being canvassed for their vote in the upcoming election:

- Will you renegotiate the EU/IMF Bailout to achieve these four outcomes:
 - ⇒ to reduce the interest rate being paid;
 - ⇒ to lengthen the period by which the fiscal 3% target is met;
 - ⇒ to divide the 'hit' in a fairer manner and
 - ⇒ to generate jobs (cf, page 6 for material on this issue)?
- Are you prepared to raise Ireland's total tax-take in a fair and equitable manner while keeping Ireland a low-tax economy (i.e. below 35% of GDP which is the cut-off level provided by Eurostat for a low-tax economy)? This is the minimum required so that adequate services can be provided (p.6).
- What are you prepared to do to reverse the impact of policies since 1987 which have increased the income of the richest 10% and widened the gap between these and the rest of society (p. 4)?
- What resources are you prepared to commit to provide programmes for unemployed people, especially the 140,000 long-term unemployed (p. 4)?
- As well as by creating jobs how do you think poverty can be eliminated (given jobs won't solve poverty for the 40% of adults outside the labour force or for the working poor who already have a job)?
- How do you propose to regulate banks and ensure credit is available for SMEs?
- How do you believe services and infrastructure in areas such as education, healthcare, social welfare, broadband, public transport and social housing should be brought up to EU-average levels (p.4)?
- How do you propose to make all governance transparent and accountable?
- Are you prepared to support an increase in Ireland's Third World Aid budget to 0.7% of GNP by 2015 as already promised (pp. 5/6)?
- Will you support the development of social dialogue between government and various sectors (p.6)?
- Are you prepared to support the introduction of shadow national accounts (p. 6)?

Social Justice Ireland Publications



Lots more information
available on our website
www.socialjustice.ie

Recent Publications from *Social Justice Ireland*

- The Future of the Welfare State
- Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits
- Policy Briefing on Poverty and Income Distribution
- An Agenda for a New Ireland: Socio-Economic Review 2010
- Beyond GDP: What is progress and how should it be measured?

All of these are available on our website at www.socialjustice.ie
Printed copies can be purchased from the Social Justice Ireland offices.

Support Social Justice Ireland

If you wish to become a member of *Social Justice Ireland* or make a donation to support our work you may do so through our website at www.socialjustice.ie or by contacting our offices directly.

Social Justice Ireland is a research and advocacy organisation of individuals and groups, lay and religious, throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

Social Justice Ireland

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