



News Release

Charting a Course towards Recovery with Equality

Speech delivered by

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(Check against delivery)

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A dhaoine uaisle, ladies and gentlemen, thank you for your kind invitation to address your Ard Fheis.

We at TASC, and you in Sinn Fein, have something in common – we both want to influence the type of world we live in, the type of country we work in and the type of Ireland we want to pass on to the next generation.

As politicians and activists you aim to do this by using your energy to gain political office in order to implement your policies.

As **policy shapers** we in TASC aim to do this by making our vision and our ideas available to a wide range of people – both inside and outside the political arena. We are pursuing this course of action because we believe it will build a better future for all of us

Our vision is simple – economic equality.

We know that **achieving** that equality is a long journey.

But today I want to share with you some of the solutions that we at TASC believe will make that journey shorter.

As politicians and party activists you see and talk about the effects of economic inequality every day.

You meet the people who don't need the statistics to know how unequal life in this country is.

And they have helped to shape your politics

We don't need to define the inequality; the pain of it is all round us on a daily basis.

What we can **all** do is try to find ways of combating inequality and then set about making sure that its opposite, equality, is at the core of public policy at every level.

But we must start by accepting that economics is not an abstract discipline, just for clever men in sharp suits or academics in ivory towers. Whether we recognise it or not, or like it or not, our economic policies are fundamentally about **political** choices.

Politics and economics are bedfellows – that's a fact.

So when politicians say that the choices being made will affect the markets in New York or Beijing

They are right. They will.

But - and this is the bit that too often gets lost - they **also** affect the child in Ballyfermot. The shopkeeper in Drogheda. The pensioner in Ballyphehane

The markets and **these** people are absolutely not bedfellows. They never were and they never will be –

The economic principles we **currently** adhere to are not designed with equality in their DNA.

No matter what politicians or commentators or economists might say about the current economic decisions leading to recovery and rising tides lifting boats all the signs are going in the opposite direction.

Look at the past year.

The Irish recession **is the worst** in the industrialized world. We are still losing jobs and this will be a long term problem. Output has been reduced by about 10% in one year alone. The public sector deficit has remained stuck at a level of around 11%. And the crisis in banking continues to evolve.

And, an important point to remember is that in the good times, no real progress was made to tackle inequality. Research by TASC shows that **the gap actually grew wider – we grew more unequal.**

This isn't really so surprising. Business as usual has brought us to where we are today. And business as usual was premised on inequality –

The former boss of Bank of Ireland had his pay cut to less than 2million euro. This was in the immediate aftermath of the crisis – a crisis to which **his bank** was a major contributor. Compare that to the € 20,000 euro that three in ten workers took home. It is 100 times more.

In 2008, the OECD ranked Ireland top of its list – for earnings inequality – in the original 15 EU member states.

And the recession will worsen this inequality – with job losses, wage cuts and social welfare cuts exacerbating Ireland's inequality crisis.

Of course, none of those people feel that their boat was lifted and many would say they are now beginning to sink.

We know from the evidence that an unequal society has poorer health, greater crime, less innovation and ultimately less prosperity.

Investing in equality brings universal benefit.

And equality isn't something that will just benefit those at the bottom at the expense of those at the top – the truth is it benefits everybody, everybody in society.

We may be struggling with recession and unemployment and a lack of economic stability but this is the moment to consider a **new vision** for Ireland – one that is rooted in the idea of “well being” and of “**social** wealth” and recognises the ecological imperative of adopting a more sustainable approach to economic growth.

Last year TASC asked people in a survey whether they **cared** about economic inequality.

Seven in ten said they were concerned about wealth inequality while an impressive **eight in ten** said they want the government to tackle the inequality.

This kind of widespread agreement is very optimistic

So how – in practical ways, **with current constraints**, do we achieve this new vision?

Well, obviously, - **job creation** must be the top priority.

Unemployment or part unemployment is a personal tragedy for the 437,000 now on the Live Register . More like a million if we add in all those who are dependents.

Unemployment is a major driver of inequality because unemployment leeches money out of the Exchequer – both in lost taxes and in social welfare expenditure. This leaves less money to invest in capital infrastructure to improve the economy, less money for public services and less for social supports.

That is why my organization, TASC, makes the case for a twin-track strategy to create jobs in a way that maximises ecological and sustainable progress **while** addressing the deficit. These twin approaches must complement each other.

We need an investment strategy to invest in new technology and new enterprises.

And the most urgent part of this strategy must be to invest in training and education for the thousands of young construction workers and other unskilled workers. These are people who are in danger of being a lost generation.

Obviously the **budget deficit** cannot be ignored. A high budget deficit has to be reduced in the medium to long term.

So the deficit must be reduced but if that reduction is savage and quick, our fragile economy will fracture which could cause damage to our recovery in the longer term and drive the recession even deeper.

We urgently require **reform of the tax system**. The State, in the public

interest, must be able to generate stable revenue streams and must be able to have the money to invest in high quality public services. Those who can afford to pay more should pay more, taking into account their net benefit from the economy. Even in these difficult times, there is scope for change. In relation to many other OECD countries, our tax take is still low.

As long as the better-off are shielded from tax by a glut of tax breaks, inequality will persist and public services will not be improved. Last year, TASC estimated that **tax breaks cost the state €7.4 billion** – that's **€7.4 thousand million**. Ireland's use of corporation tax breaks **alone** is seven times the European average. This is no longer acceptable, particularly as tax breaks benefit higher earners the most. Each of these tax breaks needs to be evaluated against both equality and efficiency criteria.

The **tax base** should be broadened to include wealth tax as well as income and consumption taxes. It could include a property tax which has shown itself a stable revenue source in other countries.

Tackling taxation, job creation and public services together through **progressive policies** is what we at TASC are striving to achieve.

We aim to produce evidence-based policy solutions on a range of issues which we then share across a wide range of platforms – unions, NGOs and political parties – in power or seeking power. We are the country's only progressive think-tank and it's a role we take seriously – never more than now.

I will end with what I consider the overarching challenge.

For me, the most compelling indictment of the economic orthodoxy of the last 15 years came in a report from Rossa White of Davy stockbrokers, just two weeks ago.

It's only 3 pages long, but it shows how Ireland's dependence on the private sector, and its failure, to invest in 'core' productive infrastructure has left us much poorer than comparable EU countries who had nothing like the same income.

For us, the lesson to be learned is this: only the state - an efficient and accountable state, but nonetheless the state - has the capacity and the

inclination to direct the necessary long-term investment in the public interest.

The low-tax, small-state philosophy has failed. At a global level, untrammelled capitalism brought the world economy to its knees; only a massive mobilisation of state resources rescued it from falling flat on its face.

Here in Ireland, we have two linked tasks:

- to make the case for a state with the capacity to direct a much larger share of national income - and yes, that means more taxes!

and

- to make the case for governance and institutions in which citizens could have confidence that increased resources would not be wasted.

Perhaps we could start with an aspiration for a society that is more equal, sustainable, honest and healthier - inspired more by the Nordic model than by other more traditional examples.

For many of us that would amount to a revolution; it would certainly be a major advance to be handed on to future generations.

ENDS