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Ireland — analysis of the 4 year austerity IMF/ECB plan & a call for resistance

Andrew Flood

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Yesterday the Irish government announced the details of the four year plan required as part of the ECB / IMF 'bailout' of the banks. There will be five billion worth of new taxes and 10 billion worth of cuts under this so called 'National Recovery' which in reality will take 10% out of GDP. As we show below almost all these costs are being dumped on workers, particularly low paid workers, the very sector that gained little or nothing during the boom years. the richest 1% are left with most of their legal tax dodges in particular the ability to avoid paying tax at all if they spend 6 months on holidays out of the country.

The aim of the plan is to cut the deficit from 12% to 2% by 2014. The European Central Bank with the IMF is demanding that the deficit be reduced to less than 10% by next year.

Social welfare alone will be cut by 2.8 billion over the four years, with an average cut of over 15%. If the promise not to cut pensions is kept this will mean cuts considerably above 15% for some welfare

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recipients. If pensions are excluded this will mean cuts of 20–25%. In the first year the government is planning to cut 800 million from social welfare, the target is to cut rates to the 2007 level. The details of these cuts have not yet been revealed but are being described as probably savage.

The minimum wage is to be cut by a euro an hour, meaning the very lowest paid face a huge percentage drop in their income which they are now also to be taxed on (11.5% reduction BEFORE income is taxed). The 2% hike in vat will also hit the poorest hardest.

The plan is a 160 page document in five sections, described as “current spending; capital spending; taxes; potential areas for economic growth; as well as a chapter on reform.” Tax credits will be reduced and tax bands widened dragging the low paid back into the tax sector. It’s aimed to collect an extra two billion next year in tax. People earning more than 15,300 will be brought into the tax net, at the moment you had to earn over 18,000. Astoundingly Paula Clancy of TASC revealed in their preliminary analysis that *“In terms of income tax, single persons on €40,000 and those earning €300,000 will both see their income tax bills rise by €1,860 based on changes to basic credits and tax bands. In effect, this means that those on the average industrial wage will take the same hit as top earners.”*

A property tax and the introduction of water charges are planned to bring in an additional five billion. The water tax will be flat tax measures which mean the very very rich in huge houses will pay exactly the same as the lowest paid workers in cramped substandard accommodation. The property tax is to be based on site value, it remains to be seen how this will be implemented.

Over 24,000 public sector workers are to lose their jobs and new workers in the public sector are going to have to take a 10% pay cut. They also intend to cut Civil Service pensions by 12 to 6% with only those on less than 12,000 a year to be exempt from these cuts.

Another 1.4 billion is to be slashed from the already dysfunctional public health service. 1,500 workers a year are to lose their jobs with cuts in the medical card and drug payment schemes. For

further analysis on what this means see this article by a WSM health care worker.

Student fees are to rise to 2,000 a year with leaving cert repeats to be charged fees of 500 euro. Grants are also to be cut.

Mortgage interest relief will not be available after 2013 for workers buying houses and will be cut for everyone by 2018.

Although it appears property tax breaks will be ended there is no hint of a plan to go after the wealthy 1% who own 34% of the wealth and many of whom pay no income tax through the simple legal ruse of spending 6 months of the year out of the country. Nor is there a hint of a windfall tax on the 1% for the billions made in dodgy property deals during the boom. Instead the low paid and those on welfare are being targetted to pay the costs of a crisis that was not their making.

To add insult to injury there is a pledge to leave the 12.5% corporate tax as the lowest rate in Europe. The unemployed are to be made to pay the costs of the crisis rather than the likes of Google, Facebook or Pfizer (who make Viagra in Cork). In their last quarter Google reported a 25% hike in profits to 1.84 billion dollars.

That the plan was in the interests of the richest 1% of Irish society is revealed by the positive reactions their organisations have given it. Chief amongst these IBEC announced within the hour that it had “recognised the importance of a growth strategy for the Irish economy” and demanded more saying “it is vital that a pro-enterprise Budget is now passed, so the country can move forward.” Anyone familiar with the sinister meaning behind IBEC jargon will understand this as a demand for further cuts and further undermining pay and conditions. Even the organisations of the wannabe 1% liked the plan, the mini capitalists of RGDATA, the independent family grocers association proclaimed their welcome for what they called the the “‘overdue’ commitment in the plan for a review of the Joint Labour Committee Wage-Setting Mechanism”, translating as they wanted the laws that stop them paying the lowest wage they

can impose weakened as part of the campaign against the minimum wage.

Next Saturday will see a major opportunity to demonstrate your opposition to this plan. The ICTU has called a march through Dublin which will now be joined by many thousands of people. Join the 1% Network on the march who are demanding that the 1% must pay for the crisis and that workers must organise a general strike to force them to pay. Meet us at 11.30 outside the Lord Edward pub, across the road from Christ Church Cathedral.

The ICTU leadership are only interested in agreeing 'fairer cuts' and a return to social partnership. Their soft approach has been answered in the removal of tax relief on unions subs, almost irrelevant in terms of revenue raising but sending a clear message as to the level of respect the leaderships approach has in ruling circles. Symbolic protests whether they be marches or token 24 hour strikes can not force the wealthy 1% to pay, to fight them in any serious way we need to organise a general strike that will bring them to their knees.