

# AUSTERITY and its **ALTERNATIVES**



## Updating Austerity - Ireland

an economy reviving in a more dangerous world

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## 1987-2007: High Growth

- Economy performs well - GDP 6% pa 1999-2007
- Unemployment 3.9% 2001 - workforce doubles
- Prosperity associated deregulation
- Budget surpluses - debt below 25% GDP



## 2000-2008 Clouds on the horizon

- Economic activity increasingly dependent on construction
- Economists - property bubble
- Accelerating wages eroded competitiveness
- Property revenues masked structural deficit
- 2003 - banks 100% mortgages
- 2006 banks indebtedness 60% of GDP

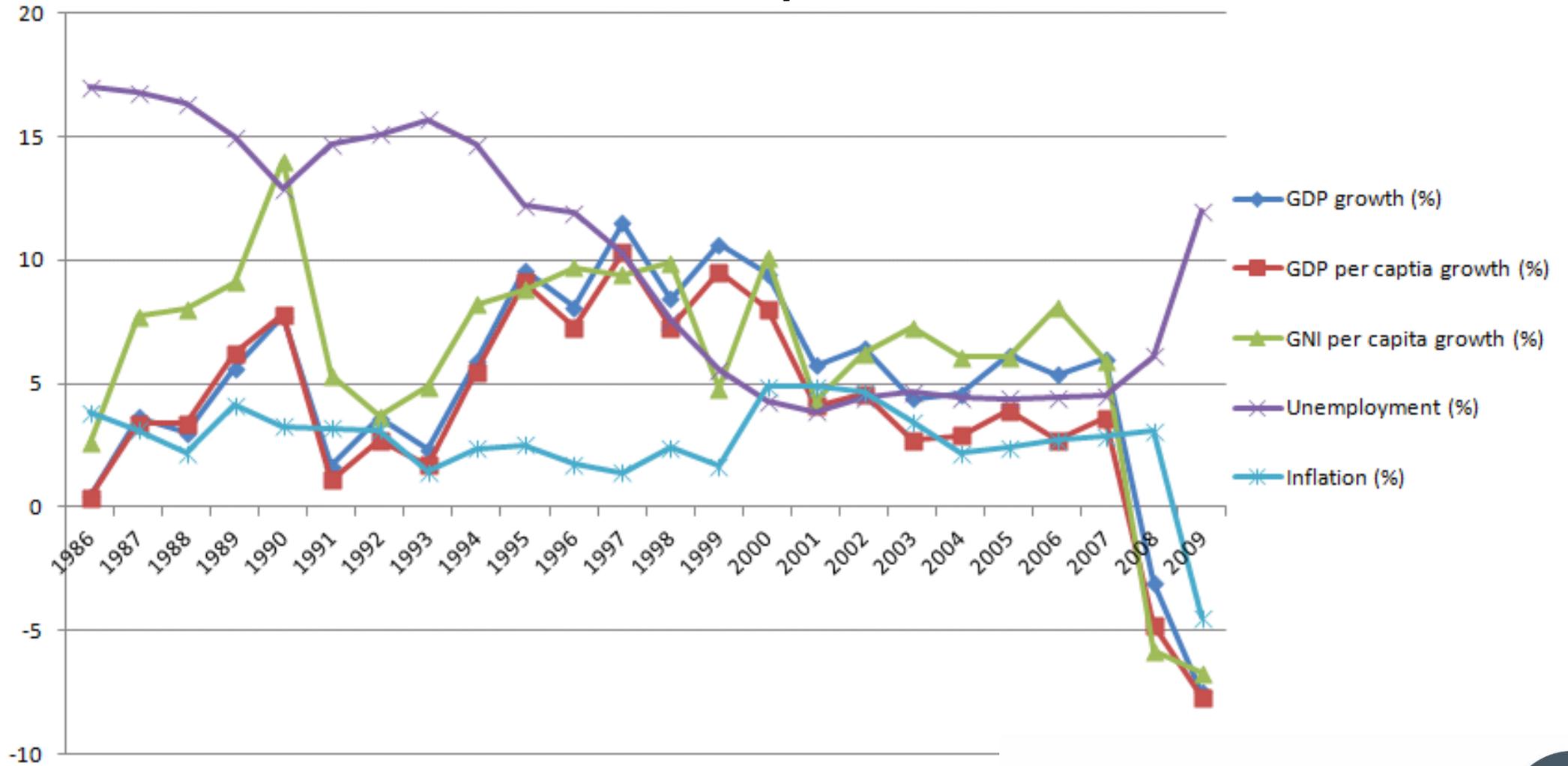


## 2008: It all goes pear shaped

- Economy contracted 3% 2008; 11.3% 2009
- Collapse in residential investment reduced real GDP during the period by 8% (Ahearne, 2010).
- Stamp duty + capital gains tax collapsed - gaping hole in finances



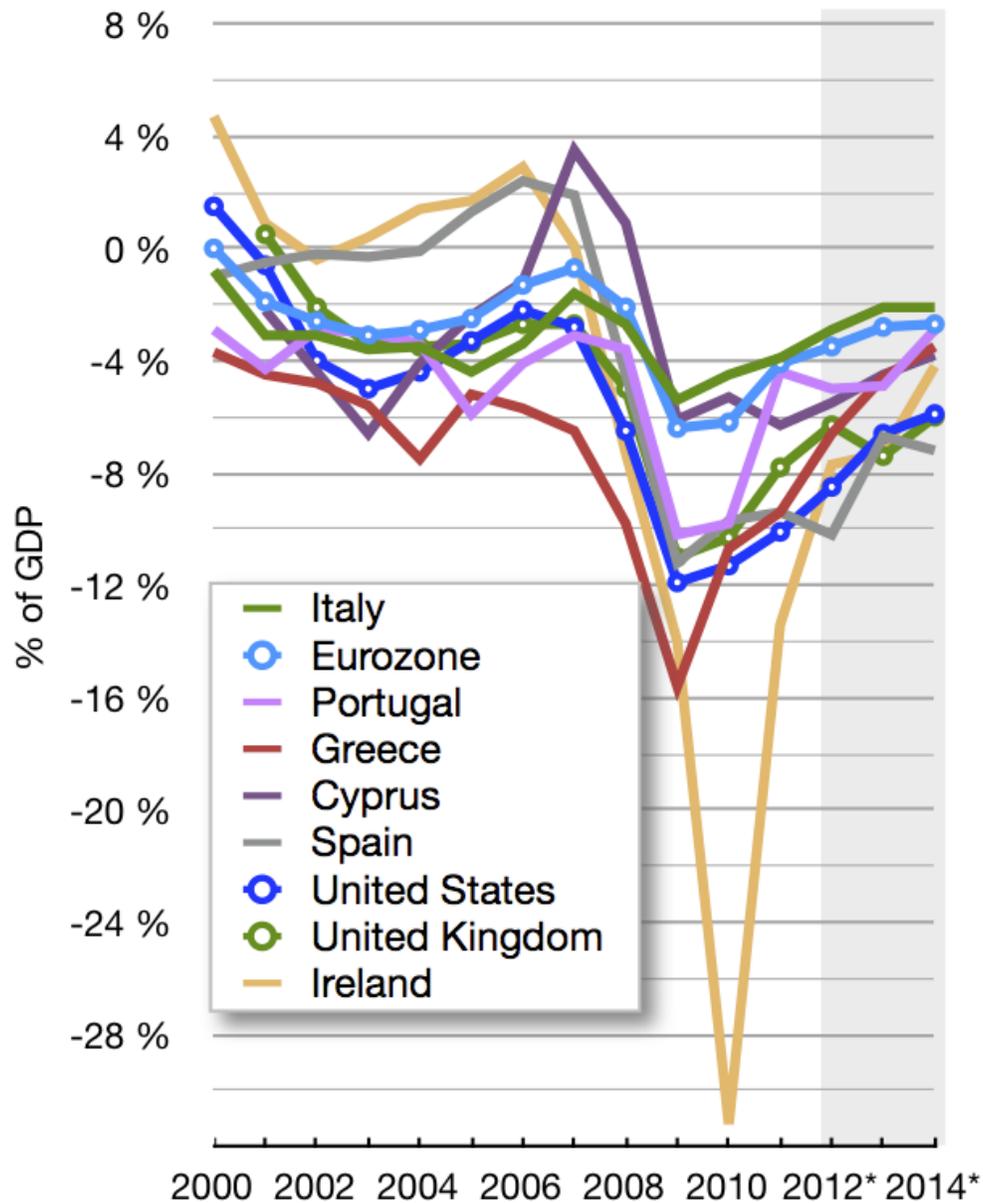
# It really does!



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## General government financial balances



Source: Eurostat and OECD

\* 2012-2014 Eurostat estimates from January 2013

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## 2008-2011: Crisis and reaction

- Deep recession
- September 2008 banks bailed – guarantee 225.2% GDP - threat to state liquidity.
- Euro – options constrained
- NESCC (2009), 5 part crisis: banking, fiscal, economic, social and reputational.
- Bailout - €40bn (2015 estimate)

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## 2008-2011: Crisis and reaction

- 2010 budget deficit -31.2% GDP
- Unemployment 12%
- Private consumption -7%
- Outstanding tax debt 91%
- Austerity budgets
- Troika bailout
- End of social partnership

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## 2008-2011: Crisis and reaction

- Crisis constructed - excessive public spending
- Minor roles – property bubble + banking imprudence
- Public sector the problem
- Media endorsed austerity
- Bank guarantee, NAMA and social partnership's destruction

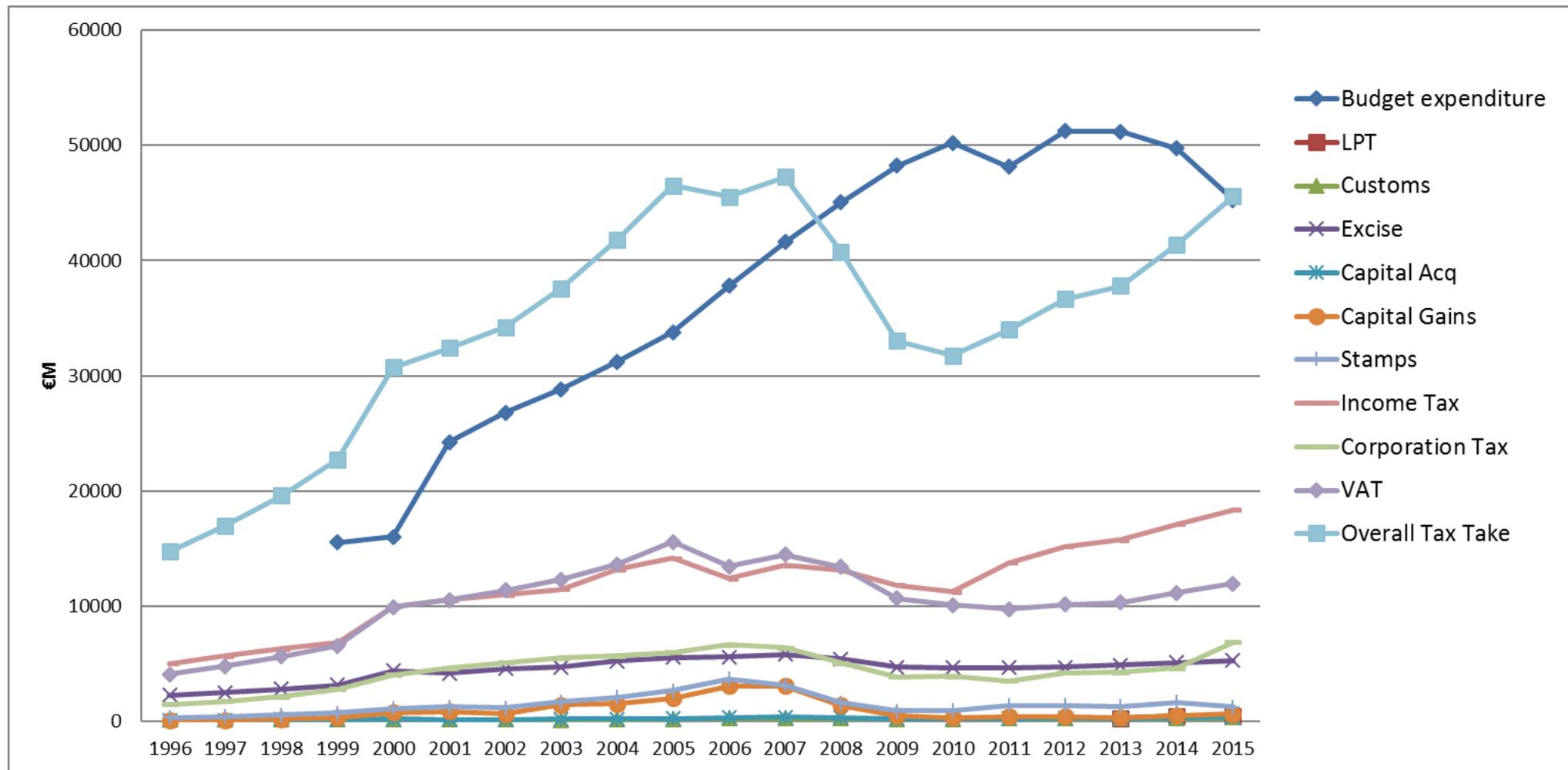


# 2011-2013: Administering Austerity

- Bailout Versailles v Marshall
- No sharing of burden - unemployment, emigration, war on vulnerable
- Election 2011 FF devastated; FG similar austerity policies
- No radical change in government
- FG-Labour - restore economic independence - December 2013



# Overall Tax Revenue and Constituent Taxes 1996-2015



Source: <http://www.revenue.ie/en/about/publications/annual-reports.html>

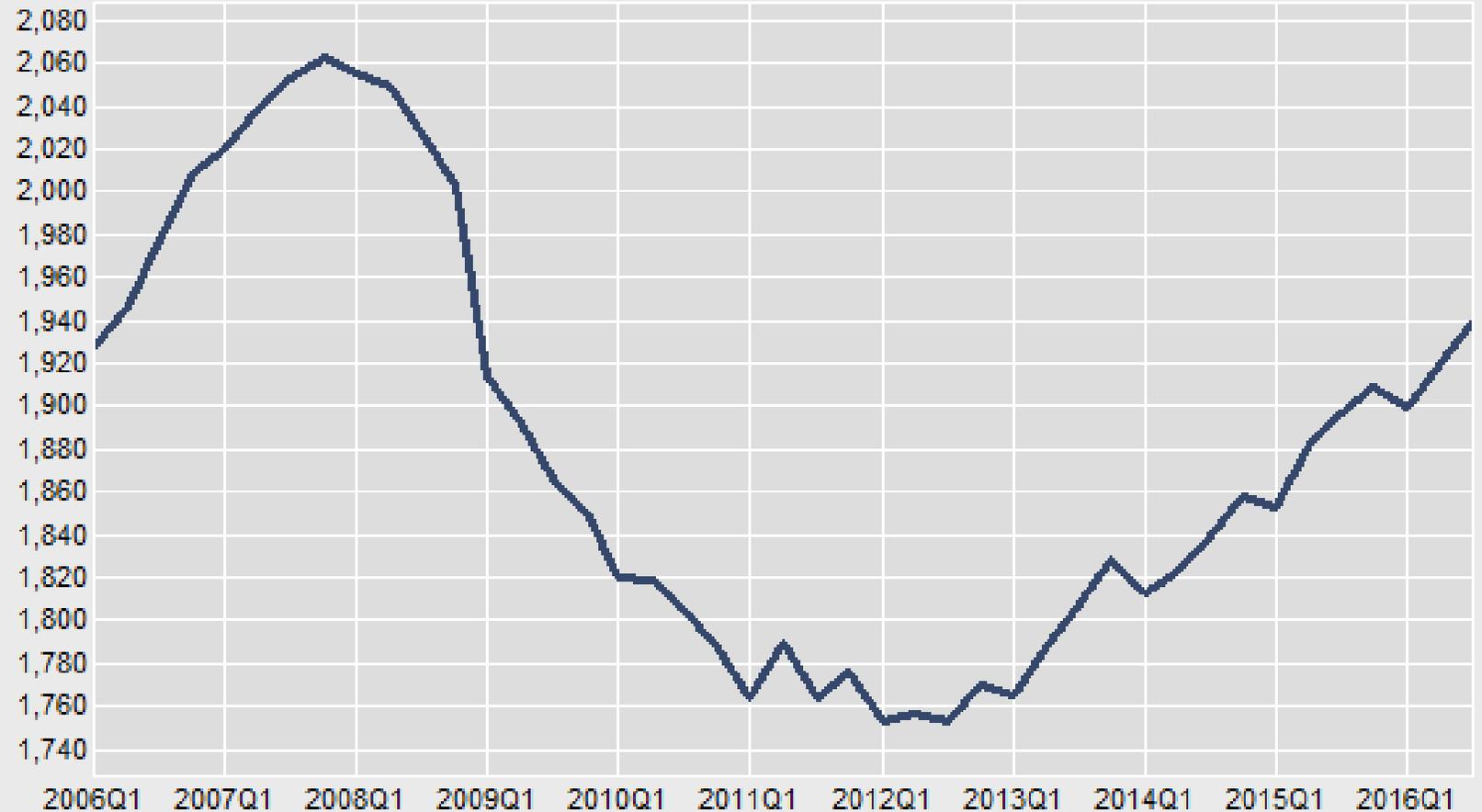
# 2013: Economy in recovery

- Economy – 1% GDP 2013; 4% 2014; **26% 2016!**
- Policy shaping recovery - relationship between public sector and foreign tech firms – not austerity, labour costs or macro stabilisation (Regan, 2016)
- 2014 budget – end of austerity – reduced top income tax (Hannon, 2014).
- 2016 budget more cuts in taxes and increase in social welfare
- Unemployment 7%.



# 2013: Economy in recovery

**Figure 4:**  
Persons aged  
15 years and  
over  
(thousand) by  
Quarter in  
employment



## 2013: Economy in recovery

- Workforce near 2 million.
- Widespread protests - water charges.
- 2016 election - left wing gaining ground- potential for class cleavage politics (Kavanagh, 2015).
- Honohan (2015) “plenty of room for disagreement on whether enough was done to shelter the most vulnerable, the Irish social safety net at least prevented any sizable deterioration in overall measures of inequality.”



# Thank you!

Questions, comments & criticisms welcome, now and to [John.Hogan@dit.ie](mailto:John.Hogan@dit.ie) and [Brendan.ORourke@dit.ie](mailto:Brendan.ORourke@dit.ie)

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