‘PUSHING AGAINST AN OPEN DOOR’ REINFORCING THE NEOLIBERAL POLICY PARADIGM IN IRELAND AND THE IMPACT OF EU INTRUSION

etui symposium: the sovereign debt crisis, the EU and welfare reform

Fiona Dukelow, School of Applied Social Studies, University College Cork, Ireland.
CONTEXT

- Crisis, critical junctures and the tenor of domestic debate (financial/overspending), as the economic crisis unfolded.
- Ireland as an early adopter of austerity in contrast to a wider ‘emergency conversion to Keynesianism’ (Hemerijck, 2012)
- Troika ‘pushing against an open door’ by the time of its intervention 2010-2013.
- Ireland as an exemplar of a particular problem diagnosis of the crisis; that the design of assistance programmes was correct; that austerity can lead to growth friendly fiscal consolidation.
- ‘..the programmes can work. [...] When there’s a determination we can achieve results. This is a message that’s valid for Ireland and other countries that are going through reforms’ (Barosso, 2013)
## KEY DATA

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CONCEPTUAL FRAMEWORK AND RESEARCH PROCESS

• Hall: paradigm a framework that specifies policy goals, instruments to obtain them and the problems to be addressed.
  • 1st order change – altering settings – e.g. benefit rates
  • 2nd order change – altering instruments – e.g. programmes
  • 3rd order change - simultaneous alteration of settings, instruments and goals.

• Paradigm change – driven not so much by puzzling over anomalies but powering over how problems are constructed and how imperatives to change are framed.

• Within that we see how paradigms adapt, how first and second order changes can ‘stretch’ and contradict policy goals without breaking the paradigm.

• A qualitative study – examining the ‘powering of austerity’ domestically and how it dovetailed with the Troika’s subsequent ‘powering’/intrusion.
STRUCTURE

- Framing the crisis
- Constructing and contesting austerity
- Austerity and taxation policy
- Austerity and social protection policy
- Some thoughts on developments post-programme
FRAMING THE CRISIS

• Conviction in the existing model – third order goals re-asserted:

• ‘a positive fiscal environment and a pro-business culture which secures it as a destination of choice for FDI and as a magnet for innovators and entrepreneurs’

• Against mounting criticism, used to explain the crisis as a veering away from the model:

• ‘we ... badly overshot the mark. ... The general attitude was that we could afford to ramp up spending, while simultaneously being a low tax country, as if there were few hard choices to be made’

• A problem diagnosis shared and amplified by business leaders and economic commentators; trade union view of need for a new model marginalised.
CONSTRUCTING AND CONTESTING AUSTERITY

- Austerity: ‘there is no option’, frontloading, expenditure cuts preferable to tax increases
- Versus – funding possibilities for a fiscal stimulus, extension of 3% deficit target to 2017 (rather than initial 2009 – 2013 period)
- Weakening position of trade unions in unravelling of social partnership
- By 2010 rapidly deteriorating situation – taken as proof of the need for more austerity
- Agreement with Troika not the product of a recalcitrant government unable or unwilling to impose austerity
### Fiscal Consolidation 2008 - 2015

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AUSTERITY AND TAXATION POLICY

- Effort to adhere to a policy goal of a low-tax, competitive regime, guiding idea of broadening the tax base.
- Debate about the burden of tax increases: informed by competitiveness concerns – limits to taxing high earners
- No mention of corporate tax rate in MoU despite reported pressure from creditor countries
- Introduction of property tax and water charges under MoU
- Limits of willingness to ‘do whatever it takes’
AUSTERITY AND SOCIAL PROTECTION POLICY

- Social protection policy the object of deeper domestic re-thinking to re-align its cost and purpose with economic model.

- Generosity and disincentive effects.

- First order rate cuts and rule changes followed by second order instrument change/structural reform.
  - Unemployment benefit;

- The latter accelerated and intensified under MoU conditionality.
  - Spotlight on culture of policy procrastination, inefficient programmes, lack of sanctions

- Addressing long term unemployment and contributing to growth friendly fiscal consolidation.
POST PROGRAMME DEVELOPMENTS

• Post-programme surveillance as part of two-pack reforms, remaining in place until 75% of EU loans paid.

• No policy conditionality under pps, but Council can issue recommendations for corrective actions.

• Continuing concern with pace and ambition of reforms; and more ambitious deficit targets urged (vs. 2014 and 2015 budgets).

• Mirrors concern with compliance with expenditure ceilings under medium term expenditure framework - Country Specific recommendation to Ireland - ensure their binding nature by limiting statutory scope of discretionary changes (EC, 2015:27)

• Rising domestic pressures
  • Health, housing
  • Growing momentum of anti-austerity/anti-water charge protest
POST PROGRAMME DEVELOPMENTS

• Growth friendly fiscal consolidation (?) at what social cost?

• Weakened poverty alleviation
  • At risk of poverty rate 14.4% 2008 15.2% 2013
  • Deprivation rate 13.7% 2008 30.5% 2013
  • Consistent poverty rate 4.2% 2008 8.2% 2013
  • Falling further behind EU2020 targets (4% consistent poverty 2016; 2% 2020)

• Unemployment
  • Unemployment fallen from peak of 15.1% in Feb 2011 to 10.6% Dec 2014
  • 46.3% long term unemployed
  • 34% under 25 long term unemployed

• Unacknowledged cost of emigration
  • 49,200 2008, 89,000 peak in 2013, 81,900 in 2014

• Enduring debt burden
  • 2013 13% of government revenue used to service debt
  • 2019 further debt reduction efforts in train under two pack to reduce general government debt to less than 60%