

This paper is a contribution to the development of a new analysis necessary for the emergence of a radical agenda for social, political and economic change in a post-pandemic society. The paper is developed against a scenario of rapid changes in public health provision, a sudden realisation of the fragilities of market economics and a realisation that a sustainable society is reliant on cohesion and solidarity, which is only possible with greater levels of equality.

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Regaining Paradise

Introduction

The Covid 19 pandemic has brought all sorts of economic problems in its wake, with states stepping in to guarantee incomes and install mechanisms to affect a re-establishment of commerce and the broader economy when the pandemic subsides.

Ireland has done relatively well in managing the pandemic when set against the horrors experienced by Italy, Spain and, more likely every day, the UK. It remains to be seen how we will fair economically, given our dependence on multinationals, if the US economy is seriously damaged by the pandemic as seems possible given the ineptitude of the US government in its handling of the crisis.

Europe is a further concern, particularly because of the inherent weakness of the Eurozone – where there is a monetary union without a corresponding fiscal union, something that contributed to Ireland's severe austerity post 2010, an experience we shared with Spain and Greece. Ireland was fortunate to emerge relatively quickly from that imposed austerity, albeit at enormous cost, but Greece and Spain are still struggling. A series of mechanisms have since been put in place in the Eurozone to hold the system together but these have barely held member country collectivity and the pandemic has exposed further strains, in particular the division between fiscally prudent states such as the Netherlands, Germany, Austria and Finland and the Southern European countries led by France, Italy and Spain who call for a common European response, including the mutualisation of risk across the currency bloc in the form of Eurobonds. Eurobonds would allow all member states to borrow funds at the same rate, something that doesn't appeal to those northern member states. Holding the European Union together in such circumstances will require compromise. Already there is a growing euroscepticism in the South. Italy is feeling particularly aggrieved because of the lack of European support in its desperate fight against the pandemic. Polls show that Italian resistance to remaining in the EU outweighs those wishing to remain.

Trickle-up economics

Neoliberalism has dominated economic frameworks since the times of Thatcher and Reagan when the social contract was cast aside to facilitate the accumulation of wealth by corporate elites, who subsequently took over states. This wealth concentration was exacerbated from 2010 when US Federal Reserve bail-outs and quantitative easing programmes worth trillions of dollars were siphoned off by the very rich in the corporate sector. Nobel prize winning economist Joseph Stiglitz referred to this as 'welfare for the rich'¹. Quantitative easing has also been a feature of the European Central Bank (ECB), making credit available to banks at very low cost, allowing them to make lucrative returns through investment in property development, fuelling the massive speculative activity which triggered Ireland's economic crash. That activity continues to be relatively unregulated.

This financialisation model facilitates the enrichment of a small number of families who occupy overlapping directorships of major companies and financial institutions. These families own vast

¹ *The Price of Inequality*: Joseph Stiglitz (2012).

bulks of share capital. Oxfam estimates that the world's 85 richest families control as much wealth as the bottom 50 per cent of the global population. This concentration of wealth enables the rich to use their economic power to gain political power, establishing what Piketty² calls a 'familial oligarchy' system of governance.

Exposure

The financial crisis triggered in 2008 indicated that the financialisation model of neoliberal economics which deified the market and demonised state interference would not survive that crisis, but it did. To the surprise of many it gathered itself together and continued to amass fortunes for the few and impose stagnation on the earnings of the many. It survived by the imposition of austerity on already struggling populations, squeezing wealth from the poorest by forcing them into personal debt. The populism and misdirected anger arising from austerity led to Brexit, the rise of Trump in the US and Bolsonaro in Brazil and in central Europe the flexing of dictatorial muscle from the likes of Victor Orban.

The Covid 19 pandemic, unlike the economic collapse, totally exposed the folly of privatisation, outsourcing and the run-down of public services under neoliberalism. It also brought to attention the gross greed that was facilitated by deregulating financial controls, so that bankers, speculators, shareholders and CEOs could become enriched through the production of absolutely nothing of societal value. In order to survive the social and economic consequences of the pandemic, neoliberalism was swiftly discarded as states moved to massive centrally directed economic interventions and the bolstering of health and social services. Income and business supports were provided by the state to maintain a functioning society. Spending on public services and social supports, never possible and always resisted, was now entirely possible and desirable. The resources of the state became almost infinite. The words of John Maynard Keynes that 'we can afford anything we can do' rang around a reawakening economic community. The economic regime that permitted the capturing of democracy and the enrichment of the few was belly-up.

Responses

It is clear that the state will have to continue to direct the economic recovery for some time. This pandemic and its aftermath is likely to occupy us for some months, if not years, and caution will be uppermost in any economic planning for the future. A more pertinent question is: will things revert when we eventually emerge from crisis? Or is this a dry run for how we need to reorganise to avert disastrous climate change?

Already, radical change is signalled in the 24-page Joint Outline for Government agreed by Fianna Fail and Fine Gael - the establishment of a living wage, affordable childcare, a Green New Deal, a rebalancing of public and private interests in our constitution to facilitate housing provision, a single tier health system. Will this happen under the leadership of two centre-right parties who embraced neoliberalism, or has the pandemic brought a road-to-Damascus type change?

If Ireland is to retain some of the progressive measures introduced on foot of the pandemic, and to embark on a different form of economics there are a number of fundamental changes that need to

² *Capital in the 21st Century*: Thomas Piketty (2014)

happen, some of which are within our own sphere of decision-making and some that can only happen in coordination with our European colleagues.

Reinstalling financial regulations to prevent the global flow of capital is essential. The Glass Steagall Act was introduced by Franklin Roosevelt in 1933 to prevent the free flow of speculative capital which had caused such destruction in the lead up to the Wall Street Crash in 1929. It was repealed in 1999 under pressure from both the licensed and shadow banking sector to widen their speculative activity. Since the US under its present political regime is unlikely to agree the reestablishment of capital controls, Europe needs to step up to the mark in leading the establishment of such controls. This could be pursued in conjunction with the introduction of required fiscal and monetary harmony across the EU. This will be difficult without greater democratisation within the EU project.

Reconfiguring the banking sector. Banks in Ireland have led the boom-and-bust cycle which imposed such hardship on families in terms of unaffordable housing, a degraded life style and huge personal debt. Even in the midst of the pandemic their contribution has been a short mortgage holiday with full interest added to the capital sum - this coming from a sector that can access an endless supply of monies from the European Central Bank (ECB) at close to zero interest rate. Banks then charge on average 3% interest to mortgage holders, when a 1% interest would provide a lucrative return. Aside from European led controls the Irish Central Bank needs to exert strict controls on the activities of banks. Introducing a state banking system would be another means of dampening the destructive activities of the banks.

Failing to avoid taxing the vehicles that allow shareholders and CEOs to amass fortunes while contributing little to the physical and social infrastructure that supports their gains is intolerable. Tax regimes that allow corporations and their wealthy shareholders to shift their profits around the world without paying their fair share of tax places the total tax burden on those already drained by this financialisation model. Piketty proposes an annual global wealth tax of up to 2 per cent combined with progressive income tax regimes reaching as high as 80 per cent. In many senses lower and middle income groups and working class communities have little more to give as wealth has been siphoned up to the top while they must strive to exist in a world of asset inflation in such areas as housing and insurance.

Resetting the link between income and employment. The pandemic has broken the link between income and employment forcing the state to provide an essential income to enable families to sustain themselves during the crisis. The Covid 19 payment of €350 per week sets a new benchmark below which it would be impossible for the individual to maintain a basic standard of living. This puts down a marker for what should be the margin of subsistence afforded to those on welfare. But even more importantly, it pushes the rate for basic income away from the inadequate €203 (without conditions) called for by Basic Income advocates. A basic income of €350pw given to everybody in the state, with additions dependent on employment endeavours, would lift many people out of poverty as well as reducing the stigma of welfare dependency.

Bringing structural adjustments to the economic model will be a political task made all the more difficult by the occupancy of the political decision-making process by the advocates of neoliberal financialisation. Because the economics of financialisation is veiled and made complex by the think tanks and media of the rich elite, descriptions and counter arguments must be made understandable and digestible. Clearly, this was overcome to a great extent in the last election campaign when a clarity emerged among a sizeable portion of the electorate about the changes required, so there are lessons to be learned there. Political parties of the Left will be the vanguard in this battle but they must be supported by progressive forces in trade unions, the NGO sector and academia.

Affordable childcare is essential to the dual income economy forced by the banking industry and enabled by successive governments. There are of course benefits from this widening of the labour market, including increased women's participation, a measure of equality and autonomy and better career opportunities. On the cost side the unaffordability of childcare places huge pressure on families already struggling with high mortgages or rents as well as mitigating against those parenting alone.

The state as the lead agent in economic transformation and development. Keynes was proven right when he said that the private sector is incapable of restoring the circle of money in a crisis. State intervention and leadership will be required. Any nonsense about letting the private sector 'do what it does best' needs to be dismissed. It has no capability in these circumstances. Ireland has been unhealthily dependant of foreign direct investment (FDI) and has not attempted to develop its homogenous economy since the failure of De Valera's import substitution in the 1950s. China is the new economic force, rapidly eclipsing the US, not to mention the weak and discordant EU, as the leader of economic development. While we should not attempt to copy its tyrannical political model, we can learn from its imaginative state driven economic prototype³.

A Green New Deal. Although listed in the FF-FG document the document displays little understanding of what this requires, such as the abandonment of growth as a marker of a sustainable economy. Ann Pettifor's book *Towards a Green New Deal* sets out the template for a sustainable economy, a transition that is incompatible with our market reliant economy. The state will have to lead the development of new industries and materials to insulate homes, develop green energy sources, replace combustion engines and cars with sustainable public transport. It will have to initiate measures to regreen our landscapes, create carbon sinks, develop and encourage new settlement patterns. It will need to further develop the capability of new technologies to meet our communication and service delivery needs and perhaps most important of all, decouple societies from the drug of constant consumption by shifting our personal fulfilment requirements to a new hedonism that prizes learning, emotional fulfilment and a greater consciousness of our world.

A single tier health system has been mooted rather than achieved for some years but almost overnight a single tier system was delivered as the uselessness of privatised health in meeting the public good in an emergency was patently demonstrated. Slaintecare is an agreed strategy to meet the needs of everybody through a streamlined system capable of

³ See Laurie Mcfarlane *A spectre is haunting the West – the spectre of authoritarian capitalism* opendemocracy.net

utilising public resources for optimum benefit. The pandemic created the circumstances to override the interests of sections within the health sector to maintain lucrative profits and incomes from an artificially contrived system reliant on publicly provided infrastructure for its profits. Having demonstrated the value of a single tier system, questions of efficiency need to be addressed as well as the creation of a universal insurance scheme to fund its development into the future.

Investment by the state must be directed downwards to the working class communities who have been especially impoverished by a model of economy that profits shareholders by engineering markets to force middle and low income earners into debt to access basic needs, such as housing, childcare and healthcare, that should be affordable or provided by the state. Because this financialisation model can only benefit by extracting value from those on the bottom rungs of society it impoverishes communities, creating endemic poverty and social exclusion. Moneylending in its modernised form of *pay day loans*, which charge obscene interest rates must be firmly controlled through robust regulation and the enablement of Credit Unions to this purpose. Elevating these communities will take time, disentangling that level of imposed deprivation will require vast amounts of community development infrastructure to be developed as a preparatory and flanking support to investment in education, training and job creation.

Collaboration is vital

So, what is being pursued by progressives and where might they find allies? Already the childcare organisations have been swift in the pursuit of the opportunities thrown up by the obvious childcare needs of modestly remunerated healthcare workers. They will need to spread their mantle wider to include the poorly paid but demonstrably vital retail and service workers who kept our society functioning during the pandemic.

Housing organisations have also been quick to point to the overnight disappearance of homelessness and to reset their objectives accordingly. The experiences of the necessary lockdown has yet to be unpicked for its ability to override seemingly impassable barriers to the implementation of *housing first* policy implementation.

Capitalism may produce great products and offer a seductive lifestyle but at its heart is exploitative. It takes ownership of the added value of those who have no ownership or control of the means of production. The principle means of maximising the take from added value is by reducing wages. During the golden age of capital trade unions organised their collective power to demand a fair share of the value of their labour. Neoliberalism set out to reduce the power of the unions, diminishing their ability to negotiate a just income and maintain wages at a low level through the mechanism of welfare. Maintaining a pool of reserve labour at subsistence levels produces poverty. Breaking the link between employment and income through the payment of a Universal Income would bring many people out of poverty while building mutuality and solidarity.

The political battle to wrestle power from the elites who have taken ownership of democracy will be difficult. Perceptions of reasonableness will have to be stripped back to expose the accumulation of wealth accruing behind this façade. Much of this was revealed in the recent election campaign and people were clear about the changes required to bring about the *good society*. Politics is about

controlling the decision-making processes that decide the distribution of resources. Control needs to be prised from the elite so that structural adjustments to the economic model can be made. We are not all in this together.

Conclusion

Many will believe the axiom that things will never be the same again. But that was said after the economic crash in 2008 and nothing changed. The reality is that nothing will happen without action, so pious rhetoric is merely that – this is patently obvious if one looks beyond the wish list of the FF-FG outline document: no increase in income tax or borrowing, so it'll be austerity that will balance the books.

For those impressed by the rapid acceptance by centre-right parties of a radical agenda it would be well to remember the African tale of the frog and the scorpion, when the frog was fatally stung having taken the scorpion across the river on her back to escape a forest fire.

'Why?' said the dying frog, 'I saved your life.'

'I couldn't help myself' said the scorpion. 'It's what I do.'