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Ireland

Death, housing and taxes - Upcoming threats to Irish economic strategy

- IV Online magazine - 2021 - IV557 - June 2021 -

Publication date: Thursday 3 June 2021

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Not for the first time the housing crisis in Ireland is coming to the fore. Public anger extends beyond the lack of housing and the extortionate mortgages and rents to protest the role of international vulture funds in the Irish housing market, especially the bulk buying of estates, freezing out locals.

What is not so clearly seen is that the housing crisis arises when the Irish model of collaboration with transnational capital is working normally. The low tax rate is compensated by the volume of capital inflow which generates the claims of miracle growth. The same process does not produce enough revenue to provide public health or housing services, which are dependent on privatization and capital inflow.

The bad news is that this terrible system of exploitation which enriches the elite but serves the workers so badly, is almost certainly in decline, with the Dublin government lacking a convincing alternative.

The immediate cause of the crisis is the election of Biden as US president. His appointment as leader of the US Secretary to the Treasury Janet Yellen, announced that she would drive for a global minimum on corporation tax.

Most economists agree that she will not be able to meet that target, but they also agree that there will be a great deal more pressure to iron out inconsistencies and that a similar process will roll out in Europe.

All this is bad news for Irish capitalism. Through thick and thin they have held to a corporate rate of 12.3%, sacrificing jobs, public sector social provision and housing to the Holy Grail of low corporation tax (in practice it can be much lower than the formal rate).

All societies need capital investment. The imperialist powers achieved this by robbing colonies they had invaded. For other societies investment involves what is called primitive accumulation, where worker's surplus value is used to build up industrial strength. However, this is quite a slow and painful process and even a socialist government may look to strike deals with transnational companies.

Ireland long ago gave up dreams of an independent capitalist economy and the major goal of the government became a mad scramble to attract inward investment. The government claims that a low tax regime for corporations is central to attracting this investment.

The CEOs of the companies say tax is not the draw that Dublin believes. They claim that what they require above all else is stability - knowing in advance what costs they will face. What they also say is that the slavish willingness of the Irish government to cater to their every whim is an enormous draw.

But is that level of servitude a requirement? Transnational companies make placement decisions on strategic considerations. Some of Ireland's recommendations are as a gateway to Europe, use of English and a relatively high level of skilled workers.

One can map out an alternative approach to transnationals, but the big picture is that Ireland was here before. The oil boom came before the transnational finance boom and the Irish response was instructive.

In 1958 Madonna Oil, a consortium of US speculators, were granted exclusive exploration drilling rights by the minister for industry and commerce, Seán Lemass, for the sum of £500. Later Whiddy island was rented out for the same annual amount only for the state to meet the environmental cost of a massive fire. More recently Shell was granted permission for a large high pressure gas pipe down the West Coast that involved mass state repression of local protesters.

One Danish government oil advisor narrated with despair conversations with minister Justin Keating in 1975. Keating was considered a radical in looking for a greater tax intake from the oil companies but balked at the high rate suggested by Denmark and ignored the proposal for mirror management structures, with state officials working in parallel with oil executives, that would have left the state in a position to take overall control of the industry.

The oil boom has largely come and gone without any substantial gains for the population as a whole. Now we are at the tail end of large scale capital investment. Intel has promised a large investment in chip manufacturing, but at this technical level of production few jobs are produced.

The majority of current investment is purely financial and involves deformation of the Irish economy and legal system. The International Financial Services Centre (IFSC) operates in the centre of Dublin, largely in total secrecy and runs tax scams for thousands of offshore companies. The money flows through Dublin, and the sheer volume of capital generates income for the government but is otherwise totally unproductive in terms of the Irish economy.

The whole of the Irish economy is built around this revenue stream on the one hand and sovereign debt and the constraints of the European Central Bank on the other. Within these narrow confines government and trade union leaders agree the limits of health, housing, public sector services and pay rates. Forced tax changes from the US and Europe could break the system.

Dublin has a plan B. The proposed alternative is education, science and state investment. The problem is that to a certain extent that is the plan of most capitalist societies. None are well placed because they all, over decades, replaced broad "blue sky" research and replaced it with narrow support of industrial and military interests, with many sectors organising against education and science and subsidising religious bigotry in order to cover up issues such as global warming.

The Irish state itself has a weak deformed economy. The most fundamental problem is illustrated by the fact that, when the International Financial Services Centre was opened in Dublin and declared that ultra-low tax rates were available, the first firms through the door were Irish. Technically the Irish government represents a comprador capitalist class, running the economy in the interest of transnational firms, and thus unlikely agents of a national economic resurgence. It is true that there is a class of small entrepreneurs, but the extent to which they are an independent force, rather than outsourcing from big tech, is highly questionable.

One perspective is summed up by proposals for a green new deal. The proposals so far are quite modest, amending the existing economy in a very gradualist way and depending for funding on the European Central Bank.

The proposals for science investment and a green revolution are largely fantastical. The reality is that Ireland's low tax binge is coming to an end and the immediate solution is a ready supply of low cost money supplied through central banks at almost zero interest. The post Covid-19 era will be an era of repayment and it the working class who will be asked to pick up the tab.

So, what's the alternative? At the moment workers do not believe that there is one. That's why they plod grimly behind political organizations that are obvious charlatans, accept pay deals that are in reality wage cuts and struggle

desperately to adapt to crushing rent and mortgage payments. Socialist groups are part of this general retreat and focus on parliamentary action, reformist proposals on improving capitalism and the illusion of a “left” government led by Sinn Fein.

Socialists must paint a picture of what a just society and economy would look like. We must set a goal of repudiating the sovereign debt that acts as a silent barrier to much progress. The International Financial Services Centre must be investigated, and charges and fines brought against the crooked companies, transnational and local, who hide in its shadows. Unused property would be expropriated to allow housing for all. Church control of health and education and the built-in oppression of women and the working class in these institutions must end. Mass free public transport should be provided. The national herd should be abolished to develop a mixed agricultural economy and our prosperity in general would be based partly on geography - agriculture, mariculture and renewable energy and partly in an explosion in education. Working collectively in a group, having control of your life, requires totally different skills from those installed by a regimented Irish education system.

A socialist government would resource a “blue sky” science research centre. It would recognize that science is an international activity and seek to attract migrants, especially those trying to secure human survival in those areas in the world most affected by climate change and industrial pollution.

How would such a society be built? The starting point is what already is: housing action groups, community organizations, radical press, workers’ action groups, defenders of women’s rights. Even at a low level these groups find themselves immediately in confrontation with the state, union bureaucrats, NGOs and the reformist left.

The Russian revolutionary Leon Trotsky, charged in court with preparing a revolution, answered by saying that he was in fact preparing for a revolution. No one can seriously argue that Irish workers are in a revolutionary ferment. What we do argue is that they will find themselves with no choice but to confront their oppressors and that revolutionaries should prepare today for that moment.

There are two further points. Ireland is a small country. Revolutionary waves do not normally originate here but reflect global trends that reach our shores. The wave does not yet exist, but there are ripples on every continent, growing in pitch. The failures of imperialism in Ireland mirror failures on every continent.

Secondly, we believe that the revolution will require a revolutionary party. No new revolutionary wave can ignore the memory of past struggles or lessons learnt at such great cost.

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