

SOCIAL JUSTICE

Winter 2011

# REVIEW

  
Trademark

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# PEACE AND SOCIAL JUSTICE

## – THE CHALLENGE OF A DOUBLE TRANSITION

Mel Corry – Trademark



**European Union**  
European Regional  
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Community Relations Council



STRANGER TOGETHER  
**CONGRESS**  
Irish Congress of Trade Unions  
Northern Ireland Committee



# INTRODUCTION

Mel Corry  
Trademark



Thirteen years after the signing of the Good Friday Agreement sectarianism is alive and well in the attitudes and behaviours of this society. Whilst we have witnessed historical changes there remains an ongoing challenge to ensure that sectarianism is not allowed to go unchallenged through a dangerous acceptance of politeness, avoidance and denial. The need to tackle sectarianism remain central to the ongoing and inter generational process of peace and reconciliation. To assume that a functioning consociational assembly will solve these issues and create a shared future is to ignore the problem thereby further increasing divisions and leading to segregation and separation as an accepted way of life. Recognising the persistence of sectarian attitudes and behaviours can create the space needed to engage with these issues

and transform them into a genuine respect and understanding of the different traditions, cultures and languages.

The Trade Union Movement, to its credit, has been central to the issue of conflict transformation and Trademark, the recognised anti-sectarian unit of the Irish Congress of Trade Unions, celebrates its tenth year at the forefront of anti-sectarian and anti-racist practice. The organisation which emerged out of Counteract the anti-intimidation unit in 2001, is a social justice co-operative that seeks to help focus minds on the prize of peace and the need to focus on the very real economic challenges that we face.

Following the Good Friday Agreement many experts in conflict resolution from around the world descended on Northern Ireland to offer their own expertise about what should happen here. Many believed that the absence of violence would simply eradicate sectarianism, while others believed that sectarianism was a product of that violence and that given space communities would automatically see the benefits of peace. The international conflict resolution industries' focus was and is exclusively on the positive transition from violence to peace, it has almost completely ignored the accompanying and devastating transition to neo-liberalism, Trademark as part of the labour movement exists

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to address the complexities of this 'double transition'.

Since 2001 Trademark has evolved into a dynamic proactive unit providing research and training to the Trade Union movement, local communities, public and private sectors on a range of themes including, history, political theory, anti sectarianism, anti racism, equality and human rights,

Most recently The **'Consolidating the Peace'** project was established to re-introduce political education to the Trade Union movement through a range of schools that focus on political economy issues including the neo-liberalism and alternative progressive

headline grabbing sectarian disputes and amongst workers and customers. As others continue to deny the existence of sectarianism in our society until it bursts onto the streets, Trademark continues to deal with the issues head on in the workplace and community.

Trademark recognises that sectarianism weakens our resistance to the continued march of the free market into every area of our lives and the acceptance of its inevitability. The re-organization of the world economy over the last forty years and the emergence of a particularly savage form of capitalism poses many challenges to all those actors involved in the pursuit of

to 'democracy'. However with the ongoing implosion of this deeply flawed economic system, our politicians who invested all our futures on roulette wheel economics, now scramble around looking for answers which do not lie in more of the same but in an alternative, progressive and democratic economics.




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economics. Our **'Transforming learning communities'** project in partnership with a local regional college is addressing the prejudice and discrimination experienced by migrant workers and traveller communities and has increased access and participation to education and employment for both of these communities.

Trademark is also currently undertaking the biggest anti-sectarian projects in Northern Ireland by training 4,500 staff in one of the north's largest retailers in partnership with USDAW in response to serious and

democratisation and social justice. The emergence of atypical forms of employment, low pay, anti-union policies and 'market flexibility' has offered little protection for workers and communities and has ensured that labour rights and related social and economic benefits remain beyond the majority of people in societies in transition. Whether it is the attacks on the welfare state, the local threat of the privatization of water, the continuation of the failed PFI programmes or attacks on some of the lowest paid workers these free market policies are considered inseparable from the transition



# TRADE UNIONS AND THE TRANSITION FROM 'ACTUALLY EXISTING UNSUSTAINABILITY'

# TRADE UNIONS AND THE TRANSITION FROM 'ACTUALLY EXISTING UNSUSTAINABILITY'



**DR JOHN BARRY**

**"Every society clings to a myth by which it lives. Ours is the myth of economic growth"** (Jackson, 2009: 5).

Trade unions have played an important role in mitigating the excesses of capitalism and other forces of non-democracy historically. It is clear that they can and must rise to the challenge of the transition away from unsustainability, the political challenge for the 21st century. Yet trade unions have played an often contradictory role in the struggle for a less unsustainable and unjust world. On the one hand, if one takes a broad conception of unsustainability – one which encompasses democratic, justice, equality, quality of life as well as environmental concerns – one can present a case for trade unions as always having had a concern with the creation of a less unsustainable social order. That they have (and often continue to) failed to live up to this hope does not diminish

their current and future importance in the political struggle for a transition away from 'actually existing unsustainability' (Barry, 2012). From campaigns around public health, worker safety, job security, defending human rights, freedom of speech, democratic politics, as well as supporting struggles for access to land and other resources, to 'green bans' in the 1970s

uncritical embracing of orthodox economic growth (and capital accumulation) and consequently an overly narrow focus on issues around formal employment, pay and conditions. For example, trades unions have supported "coal production, nuclear power and airport expansion" (Wall, 2010: 132-3) and often have explicitly mis-portrayed environmental conservation

**Trades unionism has also been a force supporting and promoting unsustainability.**

and 1980s, these and other campaigns make the trades union movement a movement against unsustainability, injustice and inequality. Yet, on the other hand we have to also recognise that much like the broad 'labour movement', and the traditional political left (socialism and social democracy), trades unionism has also been a force supporting and promoting unsustainability. This is perhaps nowhere more evident than in its

issues in terms of 'jobs versus the environment' and sided with political forces for unsustainability – such as the nation-state and corporations – against environmentalists.

In this support of orthodox economic growth, the trades' union movement is in keeping with the almost full spectrum domination of the political imagination of both advanced capitalist, industrial societies and the global south by this imperative for undifferentiated,

orthodox GDP-measured economic growth. In so supporting and having its policies largely orientated towards orthodox economic growth, formal employment etc., a critical analyses of the trades union movement and some trades union thinking recognises that the trades union movement has become effectively depoliticised and divorced from a vision of its purpose as the fundamental transformation of social, economic and political structures within society,

In freeing itself from the stultifying grip of economic growth, and in embracing the idea that the creation of a sustainable society is about the struggle for a different type of society (as opposed to an 'environmentally friendly' version of the current one), the emergence of a green trade unionism (one which links the struggles against unsustainability, inequality and injustice) represents the opportunity for the *repoliticisation, re-radicalisation and revitalisation* of the trade union movement. Without this fundamental repoliticisation and re-radicalisation is it difficult to see how the trades union and broad labour movement can contribute much to our thinking and action on providing solutions to the real and present dangers (and transformative opportunities) presented by climate change, peak oil and gas, biodiversity devastation, growing national and global

**the trades union movement has become effectively depoliticised and divorced from a vision of its purpose as the fundamental transformation of social, economic and political structures within society,**

inequalities, the feminisation of world poverty and the ethical obscenity of the most vulnerable in the world suffering most from actually existing unsustainability. And, though this should hardly need stating, actually existing unsustainability was not caused by the most vulnerable nor whose fruits have they enjoyed. In this context of actually existing unsustainability, there is an opportunity – one is minded to say obligation – for trades unions to rethink their aims and objectives, to re-orientate themselves towards the inter-linked struggles against unsustainability and injustice.

There are good reasons for placing the question of the relationship between trades unionism and the environment within the broader context of the *politics of actually existing unsustainability* rather than a *politics for (future) sustainability*. This re-casts the usual way of thinking and framing the issue which is inevitably about the realisation or achievement of sustainability, sustainable development or environmental protection. The analysis of actually existing unsustainability should take priority over the analysis of sustainability. One gets a very different analysis when

one begins from where we are in conditions of injustice, suffering and avoidable harm, rather than seeking to develop compelling and intellectually coherent – but abstract – benchmarks or criteria against which we can judge present day, real world conditions of injustice. *In short, in a similar way that the fight against injustice is not the same as a fight for some positive conception of justice, likewise the struggle against unsustainability is not the same as the struggle for sustainability.*

According to Simon (one of the few contemporary political thinkers to develop a theory of injustice, as opposed to justice), we can identify injustice without recourse to a theory of justice (that is injustice cannot be reduced to meaning the lack or absence of justice), largely through the ideas of identifiable human suffering and harm. As he puts it "It makes a difference whether we describe our political actions as part of a *fight against injustice, against other people's suffering, or as a contest for justice*. The two labels do not constitute different ways of talking about the same thing...Justice beckons us to create the positive in the future whereas injustice frantically yells at us



to eradicate the negative in the present" (Simon, 1995: 1; emphasis added). An interesting point Simon makes in this regard concerning this separation of considerations of injustice from their attachment to justice, is that from an environmental perspective a critique of the current unsustainable economic system does not and should not depend for its validity on the specification of some positive sustainable

he notes "the negative recommendation stands on its own, without the inclusion of a positive alternative... *Requiring that negative recommendations depend upon positive alternatives has the effect of undermining the negative recommendations.* We need to listen to the negative recommendations, irrespective of whether the negative criticisms also contain positive proposals" (Simon, 1995: 14; emphasis

ready alternative sustainable development model. It is because we can identify harm and suffering without recourse to a theory of justice or sustainability, that we can say the experience of injustice and unsustainability cannot be reduce to the absence of being treated in accordance to some account of justice or living in some version of a 'sustainable society' (Dobson, 2007: 53-103). Presenting the relationship

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## The trades union and labour movement should be primarily concerned with tackling and reducing unsustainability, inequality and harm, full stop.

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alternative. While from a political point of view of persuading people of one's position, one might wish to develop a worked out alternative, this should not be a requirement for the critique to be politically considered and taken seriously in public policy debate. As

added). The trades union and labour movement should be primarily concerned with tackling and reducing unsustainability, inequality and harm, full stop, rather than feeling forced (as much of the green movement has) to also develop a costed, evidence-based, policy-

between trades unionism and the environment in terms of reducing harm and focusing on helping the most vulnerable, is, I suggest, a powerful way to address the urgency of actually existing unsustainability and its associated exploitation of people, abuse of the planet

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I   
**TAX**

**CORPORATION  
TAX AND  
VOODOO  
ECONOMICS**

# CORPORATION TAX AND VOODOO ECONOMICS

**Dr Stephen Nolan**

*What began as an economic joke amongst the wealthy has become an economic hypothesis that dominates the economic policy of almost every institution on the planet; it also finds favour in the economic policy of all the major Political Parties in Northern Ireland including both Sinn Féin and the DUP and has the local media extolling the fundamentals of Reaganomics without knowing why.*



The hypothesis in question is that large cuts in tax stimulate the economy to such an extent that the tax revenue on the increases in corporate and personal income can offset the tax losses of the original cuts. The economist JK Galbraith noted that this 'supply side economics' as it has come to be known was not a new theory but was akin to the horse-and-sparrow theory: If you feed the horse enough oats, it will shit some on to the road for the sparrows.

Since this brilliant economic breakthrough, it has become a shibboleth of neo liberal philosophy and policy, impervious to fact, truth or evidence. On January 3, 2007, George W. Bush wrote an article claiming:

*"It is...a fact that our tax cuts have fuelled robust economic growth and record revenues."*

It is this robust evidence that lies behind the call

for a harmonisation of the corporate tax rate across this island. The problem with it is that it's not true. If lower taxes for the wealthy and for corporations raise incentives for re-investment and entrepreneurial endeavour, then low tax economies like the US should have grown faster.

Lowering corporation tax is not economic in motivation, it is political. Cutting tax rates benefits the wealthy, gives them greater freedom, but locks everyone else into downward patterns of flexible employment, poverty and inequality. A global race to the bottom as wealth trickles up. Low tax economics are a:

*specific set of foolish ideas that has laid claim to the name "supply side economics" ... a*

**If you feed the horse enough oats, it will shit some on to the road for the sparrows.**

*crank doctrine that would have had little influence if it did not*

*appeal to the prejudices of editors and wealthy men.<sup>1</sup>*

In the Republic of Ireland, low corporation tax apparently arrived with St Patrick and like faith, is unquestionable, indeed to question it at all is considered unpatriotic. It has become a taboo supported by right and centre-left, the economic equivalent of the Scottish play. Sinn Féin's support for corporation tax harmonisation across the island would be understandable and consistent with its professed ideological leanings if it was talking about harmonising upwards, not downwards. The provision of corporate welfare for the super rich and elite groups of share holders has more in common with what William Martin Murphy was up to in 1916 than James Connolly.

<sup>1</sup> Krugman, P (2009). *The Return Of Depression Economics And The Crisis Of 2008*

Here the local media is particularly taken with the idea, giving yards of column space and TV time to a range of economists whose expertise in matters economic is underlined, as we know so painfully, by their complete and utter failure to predict the worldwide financial crisis of 2007<sup>2</sup>.

The alternative arguments, though well articulated are being ignored in favour of neo-liberal dogma. Richard Murphy in a report for the TUC has already outlined a number of salient points

- The UK already has competitive corporation tax rates;
- The UK small companies rate of corporation tax is already applicable to more than 90% of companies in the UK which employ half of all private sector employees.
- Over 90% of growth and employment is stimulated by other factors – including the beneficial effect of public spending funded by tax.

Low tax rates don't encourage companies to move their production base where they might create new jobs, they encourage them to move their cost base, to where they record their profits. The Republic of Ireland is not a dynamic entrepreneurial hub of modern manufacturing, it is a tax haven with bad weather.

**The Republic of Ireland is not a dynamic entrepreneurial hub of modern manufacturing, it is a tax haven with bad weather.**

Introducing incentives such as tax cuts, deregulation of planning and public subsidies in order to encourage inward investment is part of a global race to the bottom and shifts the tax burden from companies

to individuals, from the rich to the poor.

Subsidising tax cuts for business, in the vain hope that Foreign Direct Investment (FDI) will increase and that those in business will use the savings to employ new workers and invest in new businesses will result only in the trickling up of wealth. It does not lead to increased investment, it leads to increase asset purchasing and investment in unstable financial products which provide quick, easy and risk free returns for the wealthy.

Since the eighties corporation tax has been used as a tool in the global battle to attract FDI from multinationals and

consequently tax rates have dipped significantly. And what has been the result? OECD data tells us that whilst GDP has stagnated and national debts have increased dramatically, corporation tax rates have continued to decrease. Unsurprisingly profits have increased as a proportion of GDP and at

the same time wages have fallen. Maintaining any kind of domestic growth has increasingly relied, not upon the trickle down of wealth (which tends to stay where it has been accumulated) but rather, as we know so painfully, on cycles of credit and debt.

In the US, corporate profits are at the highest share of the G.D.P. since the 1960s, whilst the take home pay of the typical worker is the lowest on record as a share of the same G.D.P. Through 1998 to 2005t, *two out of every three United States corporations paid no federal income taxes.*

### Corporate Taxes as a Percentage of Federal Revenue

1955 ... 27.3%  
2010 ... 8.9%

### Individual Income/Payrolls as a Percentage of Federal Revenue

1955 ... 58.0%  
2010 ... 81.5%

<sup>2</sup> As opposed to a range of economists on the left such a Harvey, who in 1990 said "It is the explosion of new financial instruments and markets, coupled with the rise of highly sophisticated systems of financial coordination on a global scale that is of concern....It is tempting of course to see all this as some prelude to a financial crash that would make 1929 look like a footnote in history....If we are to look for anything truly distinctive ....in the present situation then it is on the financial aspects of capitalist organisation and on the role of credit that we should concentrate our gaze..." Harvey, D (1990) *The Condition of post modernity*, Blackwell NY

So not only have federal revenues relied increasingly on the taxes of working people those same wages as a percentage of GDP have plummeted.

If corporation tax is lowered



in N. Ireland it is estimated, under the Azores ruling, that the compensating cost to the N. Ireland block grant could be in the order of £400 million annually, and this with absolutely no guarantee that increased economic activity produced by a reduced corporation tax will lead to increased tax revenues to make up any shortfall. We won't be risking the £400 million from the block grant we'll be losing it and all for a bankrupt economic dogma. Of course the various accountancy firms and consultancies which are lobbying for the reduction will no doubt be well compensated by their corporate clients who will benefit. Local businesses who employ 80% of the private sector workforce already pay reduced levels of corporation tax and will see no direct

benefit; they may well however see further cuts in public sector services including cuts to major infrastructural projects which will drive the north further into recession and them out of business.

The factors that lie behind a firm's decision to locate are based upon a range of factors including workforce skills and competences, infrastructure and education, a social infrastructure that is paid for by the very corporation taxes being cut. PwC's report into the impact of Corporation Tax

average in attracting FDI despite a corporation tax rate of 26%. Eastern Europe with corporation tax rates of 10% has the lowest levels of FDI.

Unfortunately there is no short term quick fix to economic improvements in N. Ireland, it remains a basket case. Rather than building a consensus around Thatcherite economic policies and harp on about a knowledge economy, perhaps the executive should be concerned as to the high levels of illiteracy amongst children leaving school and the quarter of all adults with no formal qualifications; perhaps they should give serious consideration to the green new deal, or the development of a cooperative private sector; and perhaps they should stand up to corporate Westminster, the north does have a special case to plead, this is a post-conflict zone, not Finchley, it needs investment, it needs a peace dividend, it needs thousands of jobs, not thousands of job cuts. And

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**We won't be risking the £400 million from the block grant we'll be losing it and all for a bankrupt economic dogma.**

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on FDI 'Corporation Tax - Game Changer, or Game Over?' stated that foreign investors already established in the UK, ranked corporation tax as 17th in a list of investment drivers, prioritising instead "language, culture and values; infrastructure; skills; and proximity to markets". Sweden has beaten the European

once these new lower rates are in place it will be very difficult to raise them again, like the Republic they will take on the status of a taboo; this is no short term fiscal stimulus, this is voodoo economics.





# THE ECONOMICS OF AGEING

# THE ECONOMICS OF AGEING

**JUDITH CROSS**



## Introduction

Ageing is one of the greatest success stories of our time – people are living longer and our challenge is to make this a positive experience. However, we live in a society, which has negative attitudes towards ageing, and these are damaging to

## Demographics

There are over 300,000 people of retirement age (women over 60 and men over 65) living in Northern Ireland a 2.1% increase between 2009 and 2010. They represent just over 17% of the population.<sup>1</sup>

The largest increase will be in the older old. Between 2009 and 2010 the population aged 85 and over has increased by 3.4% (from 28,700 to 29,700).<sup>3</sup> By 2030 it is projected that there will be more than 130,000 people over the age

frail, in need of services and support that we can sometimes miss the reality. Older people can and do contribute to the on-going development of communities and society in Northern Ireland as carers, volunteers, mentors, employers and employees, campaigners and grandparents to name but a few. It is important that we capture the positive construction of ageing which can reinforce the social, economic, political and cultural benefits of an ageing population. However there is a real danger that cuts on the scale expected will have a considerable adverse impact on older people, specifically those who may need access to care and support to live active and fulfilled lives. Access to

## Older people can and do contribute to the on-going development of communities and society

By 2030, it is expected that this percentage of older people will increase to almost one fourth of the total population (24%).<sup>2</sup>

of eighty living in Northern Ireland, a 103% increase on estimates for 2010, making up about 7% of the population.<sup>4</sup>

## Context

So much of our public debate is consumed by a vision of older people as dependent,

<sup>1</sup> 2010 Mid-year Population Estimates, NISRA

<sup>2</sup> Population projections for 2030 using a 2008 base, NISRA

<sup>3</sup> Ibid

<sup>4</sup> Population Projections for 2030 using a 2008 base, NISRA

a wide range of services is vital to enable older people to remain independent, to participate in their families, communities and society. The language of equality and rights, which framed the Good Friday Agreement, has not necessarily benefited older people in Northern Ireland. It is still legal to discriminate against older people in the provision of goods, facilities and services in Northern Ireland. This is in direct contrast to the legislative protection, which exists in Great Britain and the Republic of Ireland. For older people this is a serious omission in terms of their quality of life. It can mean either paying higher premiums for car insurance or not being able to access cover at all. In terms of health provision, it can mean life or death. Evidence suggests that older people with cancer are more likely to die because of “age bias” in treatment<sup>5</sup>.

Policy analysts and social commentators know only too well that Northern Ireland tops the polls in terms of levels of poverty and deprivation – for older people this is no different. Pensioner poverty is on the increase.

Two-fifths of single pensioners and a fifth of pensioner couples have no income other than the state retirement pension and state benefits.

5 The Telegraph, Martin Beckford ‘Older People Receive Worse NHS Cancer Care,’ 9th June 2011  
<http://www.telegraph.co.uk/health/healthnews/8564213/Older-people-receive-worse-NHS-cancer-care.html>

These proportions are more than double those in Great Britain are.<sup>6</sup>

Fuel poverty is now at an all-time high and increasing dramatically. 62% of older people are now living in fuel poverty, up from 47% in 2006.<sup>7</sup> Older people are dying unnecessarily during the winter months from cold related illness. A total of 756 excess winter deaths were recorded for 2009-10.<sup>8</sup> The health and budgetary impacts of failing to address fuel poverty are well documented. People in Northern Ireland face the lowest disability free life expectancy. Women in the UK can expect to have 63.9 years of disability free life; women from Northern Ireland can expect just 60.3 years. The impact of the recession and the plans for recovery could have a detrimental impact on older people today as well as limiting opportunities for older people tomorrow.

### Ageing and the Economy

The Fiscal Sustainability Report (July 2011) from the Office of Budget Responsibility (OBR) suggests that population ageing will increase UK public spending from 36.3% of GDP in 2016-16 to 41.7% of GDP in 2060-61, an increase of 5.4% of GDP or £80 billion in today's terms:

6 Joseph Rowntree Poverty site: <http://www.poverty.org.uk/i65/index.shtm> using Households Below Average Income Survey data averaged from 2003/04-2005/06  
 7 DSD (2008-09) Households Below Average Income Report.  
 8 Provisional figures secured from NISRA

- **Health spending will rise from 7.4% of GDP in 2015-16 to 9.8% in 2060-61**
- **State Pension will increase from 5.5% of GDP in 2015-16 to 7.9% of GDP in 2060-61**
- **Social Care costs will rise from 1.2% of GDP in 2015-16 to 2% in 2060-61<sup>9</sup>.**

Yet the Department of Finance and Personnel suggest that the GDP is expected to grow by only 1.2% in 2010, 2.3% in 2011, rising to 2.9% in 2013<sup>10</sup>. These projections will have serious consequences for our current and future ageing population if Government fail to consider the fiscal consequences and opportunities of demographic ageing.

Having sufficient economic resources, either through a private income or investments, through the social security system or a mixture of all of these is at the core of older peoples' capability to participate in society, maintain their independence and realise their self-defined preferences. Pensioner poverty levels in Northern Ireland are increasing and are now at 23%, meaning that older people are likely to face a greater risk of poverty and exclusion from full participation in the social, civic and political life of society. This is compared to 16% in the UK.<sup>11</sup>

9 Office for Budget Responsibility, July 2011 Fiscal Sustainability Report HM Treasury  
 10 Mike Brennan, DIP, Presentation at NIVCA, Tuesday 10th August 2010  
 11 DSD (2010) Households Below Average



A focus on removing the barriers that prevent older people from enjoying and contributing to life in Northern Ireland is essential. For example, it is estimated that up to 44% of those entitled to claim Pension Credit are not claiming. This unclaimed benefit is estimated to be worth between **£1.2m to £2.3m per week**.<sup>12</sup> The impact of this additional income for pensioners in Northern Ireland should not be underestimated, not only in terms of their health and well-being but for the Northern Ireland economy as a whole. This can be achieved through the automatic payment of pension credit and is within the legislative competency of the Northern Ireland Assembly. In addition, this revenue stream does not impact on the Northern Ireland block grant, resulting in a win win situation for all concerned.

### Current Public Policy Initiatives

A good understanding of the challenges which might arise is essential for the Government to make the right strategic policy decisions and to ensure that government policy will be sustainable over the long term. Without this type of analysis there is a risk that unsustainable policies might be pursued, requiring sharp corrective policy adjustments in the future.

An ageing society will have a significant impact on public services now and in the future, both in terms of the contribution of older people and the support that they may need. The forthcoming *Programme for Government (PFG) and strategies such as Ageing in an Inclusive Society*<sup>13</sup> (currently under review) and *Lifetime Opportunities*<sup>14</sup> present significant opportunities to improve coordination and mainstream policy on ageing across government. A renewed focus on these strategies has the potential to tackle entrenched difficulties that older people face and at the same time aim to create a society that values and promotes positive ageing.

### Conclusions

Whilst Age NI appreciates that there are a significant number of competing demands on the work of the Northern Ireland Assembly, we consider it imperative that the fiscal implications of our ageing population needs to be considered a key driver for public policy now and in the future. After all, we are all getting older.



An ageing society will have a significant impact on public services now and in the future

Income Report 2008-09 Belfast DSD  
12 A2B (2009) A2B Benefit Take-Up  
Initiative Mid-Term Evaluation Report. PEER  
Consulting & Economic Research and  
Evaluation

13 OFMDFM (2005) Ageing in an Inclusive  
Society. Belfast OFMDFM  
14 OFMDFM (2005) Lifetime Opportunities,  
Belfast CAPU

# **ABORTION LAW IN NORTHERN IRELAND: THE NEED TO INFORM WOMEN**



# ABORTION LAW IN NORTHERN IRELAND: THE NEED TO INFORM WOMEN



## DR EILEEN FEGAN

There is a frustrating circularity to abortion law in Northern Ireland. Women don't know it and cannot ask their GPs without fear of stigmatising. Doctors are not sure what conditions would satisfy the vague and uncertain law. Abortion is prohibited under the Victorian Offences Against the Person Act 1861, applying to both the UK and Ireland. The Abortion Act 1967 laid down four statutory exceptions to this ban in Great Britain, but not in NI. Rather, as a result of legal cases from 1939 to 2004, NI allows abortion only in cases where women's life, physical or mental health is at serious risk from the pregnancy. On the grounds that these cases were not clear enough for doctors to apply, the Department of Health issued 'Guidance' in 2009 in an attempt to clarify the law. The Guidance has been challenged at every turn, in the NI Assembly and by the anti-choice lobby. Despite the long fight for its publication, numerous UN

Human Rights Committees' recommendations and European Court of Human Rights judgments stating that women must be able to access abortions where their life or health requires it, it remains virtually impossible for most women to obtain abortions in Northern Ireland. Nor can they get free terminations under the NHS when they travel to Great Britain, despite paying the same National Insurance contributions as women there.

To most women's great surprise – having been raised to think it was always 'wrong' – abortion was only criminalized by the UK Parliament in 1803, with stricter penalties gradually adopted in response to campaigns for women's rights. Until then, it was routinely practiced by female midwives and considered legal by Christian Ecclesiastical Courts anytime before foetal movement could be felt by the woman. It was not until the emergence of a medical 'profession' in the 1800s

that the drive to criminalise abortion began. This new establishment controlled by male doctors, considered midwives who attended births and performed abortions as a threat to their own economic and social power. The anti-abortion cause in Britain became part of the profession's effort to eliminate competition and was more about resisting women's newly claimed rights than protecting 'life'.

What is interesting about this history is the extent to which it is obscured. Women who receive this information in training on reproductive rights are especially shocked. They did not know that just over 200 years ago midwives performed abortions with no legal penalties. When given this information there is often anger at having been denied it for so long. We can only imagine what might happen if all Northern Irish women were given the opportunity to think about this history

and the inaccuracies of the information they received growing up. Inaccurate legal and medical information about abortion is rife throughout Northern Ireland. In March 2009, before the publication of the Guidance, the BBC claimed wrongly that abortion was illegal in Northern Ireland except to save the woman's life. Yet, the legality of abortion in cases of risk to women's health was laid down in *R v Bourne*, 1939 - seventy years earlier. In 2011 the BBC documentary, 'Abortion Wars' failed to correct similar misinformation, along with even more damaging claims that 'there is never any medical need for abortion'. The next day BBC NI News reported the death of a 28 year old from an undetected ectopic pregnancy. The only treatment for such a pregnancy is its removal – a fact not acknowledged either in education or anti-abortion campaigns.

Unfortunately, the misinformation doesn't end there. Northern Irish judges have made such mistakes as to existing case law as to make them unfit to carry out their public function. In 2009 a case was brought by SPUC (Society for the Protection of Unborn Children) against the Guidance, Lord Justice Girvan claimed that where the document stated that non-judgmental, non-directive counseling should be available to women before, during and after termination of pregnancy, it "could lead to the adoption

of counseling procedures that were arguably unlawful." He was referring to the provision of advice on accessing abortion in GB. Yet the 1992 case of *Open Door and Dublin Well Woman v. Ireland* in the European Court of Human Rights, clearly established that the provision of information to women concerning legal abortion facilities abroad is protected under Article 10 of the European Convention. The Court held that in preventing organizations from offering non-directive pregnancy-related counseling to women,

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Northern Irish judges have made such mistakes as to existing case law as to make them unfit to carry out their public function

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Ireland interfered with their rights to receive information under Article 10. It did not matter that abortion was largely illegal in Ireland. Lord Justice Girvan demonstrated an unacceptable lack of awareness, both of the law, and the fact that the Family Planning Association already provides the services he questioned and receives public funds for doing so. Given this lack of knowledge, there is a lot of remedial educative work to be done, if only to preserve the integrity of the legal system, not to mention giving people here the right to have their clearly defined human rights protected in practice. A further worrying lack of knowledge perpetuates in the medical profession. Abortion legality in NI rests upon the clinical

judgment by doctors of a serious risk to women's health or life. Yet, the University education provided to the incoming medical profession does not include abortion law on the curriculum – except as an occasional optional lecture. It is well established that no medical staff should have to take part in treatments that go against their own beliefs, but all doctors should know that they would be liable in medical negligence for failing to save the life or health of a pregnant woman in an emergency, if they did nothing.

The Abortion Act 1967 provides a specific conscientious objector clause and extending it to NI would ensure doctors are made aware of their rights and responsibilities. It would also address other matters of concern, such as foetal abnormality. There is anecdotal evidence of terminations for payment in private NI hospitals despite the fact that they are illegal under current law. Yet, successive British governments have failed to remedy this confused and unfair situation, which has led to inconsistency within Northern Ireland and with the rest of the UK.

In 2008, pro-choice organizations here lobbied Westminster MPs to extend

the Abortion Act to NI. The motion was due to be debated with the Human Fertilisation and Embryology Bill, but the vote was 'timed out' due to a procedural motion. Several newspapers suggested "a secret deal" had been done between Gordon Brown and Democratic Unionist Party to block the extension of Act to Northern Ireland in exchange for their support on anti-terror legislation.

Ignorance of the law and 'horse-trading' politics prevents democratic decision-making and thwarts efforts to change the law by the usual means. The only way to redress this is to inform the people about it and allow their indignation to do the work. The UK's approach to abortion across the developing world can only fuel this further. The Department for International Development stated in 2009 that it supports safe abortion on two grounds. "First, it is a right. Second, it is necessary." This approach informs its programmes in countries where, like NI, anti-choice views are held by dominant religious and political leaders. The UK stands up to such figures in countries like Zimbabwe and Ethiopia, but not within its own jurisdiction. For despite the increase in prosperity in NI since the Good Friday Agreement 1998, in respect of

women's human rights it is very much 'a developing country'. Nor are unsafe abortion practices a thing of the past in this part of the UK. Recent calls to helplines reveal that women on low incomes are purchasing the 'abortion pill' online, endangering their health from counterfeit products or by taking too much of the genuine mifepristone drug.

No one in power has much to say about this. Ministers, politicians and judges do not acknowledge the 700 women who are prepared to travel, beg, borrow, lie and sometimes endanger their health to access abortions yearly. Instead they tritely observe: 'the people of NI don't want abortion.' The current situation – where the actual law is not actually applied – has survived for 44 years because most people in Northern Ireland are not aware of the issues. Religious dominated education takes a very hard line against abortion and 'hard cases' involving risk to women's life or health are not considered. Providing people with accurate information and opportunities to consider the abortion issue from a wider perspective is the only way to discover how they really feel, rather than what they have been taught, coerced, coaxed and shamed into saying.

Most people are not aware that abortion is currently legal in Northern Ireland – albeit in unclear circumstances. This lack of clarity, which prevents the law from operating in practice, is defended vehemently by the powerful 'pro-life' lobby; supported by MLAs, MPs, Health Committee Chairs, Schools and the Churches. Together they have created a bulwark against change that keeps the majority of the population out of the picture. The more people know about the reasons why women seek abortions and the reasons they are denied them by their institutions' hypocritical, often nonsensical, approach, the more confidently they can speak openly about – eventually breaking down the patterns of silence and censure which have for so long dominate.




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The Department for International Development stated in 2009 that it supports safe abortion on two grounds. "First, it is a right. Second, it is necessary."

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# **WORKER LED ALTERNATIVES TO PRIVATE OWNERSHIP**



# WORKER LED ALTERNATIVES TO PRIVATE OWNERSHIP



**Dr Stephen Nolan**

*Capitalism is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous -- and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed. - John Maynard Keynes*

The system that is in crisis is not absolute. It is always resisted, challenged and transformed. Whether in the struggles of labour against capital or in those Naxalite spaces where the state's grip is loosened, we are challenged to look beyond the system for answers. We can perhaps look to alternative structures where participative democracy is practised and where collective forms of ownership exist.

Across the world 100 million people are employed in democratically controlled organizations, membership of these organizations is over a billion, they are not traded on the stock market and so

never make the business news, they are socially responsible, sustainable and are democratically controlled by their members. They are of course, co-operatives. So why are co-operatives important? What can they teach us about democracy? What can they teach us about democratic control of economics?

Most people work in places where capital (people with money) look for labour (people with none), and capital will always go where labour is cheapest, where conditions of exploitation are more favourable, or it will create the circumstances where labour can be got more cheaply,

whether through mass immigration or direct attacks on unions.

Co-operatives are fundamentally different, they are labour looking for capital. In a very real sense they are people before profit, they look for capital to put their labour power to work in order to sustain themselves and their communities. But in a cooperative labour is not a commodity, workers are not wage slaves, as worker/owners 'they are in essence their own capitalists'. Co-operatives of course operate in a capitalist society and must compete with their capitalist equivalents; nonetheless they



## Co-operatives can act as spaces of collectivism and cultural resistance against the dominance of neo-liberalism and individualism

can for a limited time and in a limited space reintegrate the economic and the political, the economic with the democratic.

Nonetheless capitalists have viewed co-operatives as vehicles of regional economic development in the hope of developing fully-fledged competitive, entrepreneurial and individualistic environments. Co-operatives do have the potential to become an integral part of the capitalist system and betray the values on which they are founded; but of course the same can be said of trade unions who have become in many instances a key partner in regulating labour and limiting its political impact. What can make a difference in co-operatives and indeed within trade unions is precisely the presence of political consciousness expressed in co-ops through core values such as the sovereignty of labour, the subordinate nature of capital, democracy, sustainability and so on.

But of course people don't buy and large join co-operatives because they are socialists. They join co-operatives for work, for a decent standard of living, for security, for independence. Crucially however the democratic nature of co-operatives can change values. Co-operatives offer opportunities for

political engagement and expose workers to what real democracy feels like. In distinguishing themselves as democratic, and as community focused, they offer new experiences and can act as spaces of collectivism and cultural resistance against the dominance of neo-liberalism and individualism.

Co-operatives of course also offer genuine economic benefits; they are more stable than privately owned businesses, they develop sustainable modes of production and consumption; they are often community-based enterprises that build up local assets and keep wealth in the community by returning dividends to members and workers. 'Co-operatives are rarely susceptible to pull-out or take-over since they are guided by the interests of members and local stakeholders', not parasitic venture capitalists.

On a larger scale the development of a co-operative 'commonwealth' as part of the private sector that is neither individually owned nor necessarily profit driven can act as an alternative to capitalist exploitation and act as a bulwark against protection in the face of an unfettered free market. So where is

the evidence of these great benefits?

In Venezuela the government has sought to expand non private forms of ownership and control via co-managed firms, an extended public sector and of course co-operatives. In 1998 there were 800 cooperatives operating in Venezuela, in 2006 there were 100,000 involving 1.5 million citizens where planning is participatory and which can operate under either state, co-operative or mixed ownership and which must fulfill a list of requirements which "privilege the values of solidarity, cooperation and sustainability ahead of the value of profitability..."<sup>2</sup>

In Italy particularly around Bologna when the anti-Fascist resistance came down from the hills after WW2 and took power, Bologna and the surrounding Emilia-Romagna region was transformed into a largely cooperative based social economy. After sixty years of Communist Party rule it is a region of small and medium small companies, relatively higher incomes; it is has lower crime rates, higher levels of women's participation in the with 66% of children are in nursery school, as opposed to 4% of children in Naples.<sup>3</sup> The region ranks second among Italy's twenty regions in median per capita income and

2 Wilpert, G (2006) The Meaning of 21st Century Socialism for Venezuela < [www.Venezuelanalysis.com](http://www.Venezuelanalysis.com)>

3 Brusco, S (1982) The Emilian model: productive decentralisation and social integration, Cambridge Journal of Economics 1982,6, 167-184

1 International Committee for the promotion of Chinese Industrial Co-operatives < <http://www.iccic.org.cn/en-info-show.php?infoid=374>>

it stands tenth among the 122 regions of the entire European Community. The scale of the cooperative economy is impressive. In the town of Imola, near Bologna, 60 percent of the economy is in the cooperative sector and in the wider region the co-operative sector accounts for around 30 percent of the entire economy. The largest co-operative in Italy situated there operates nearly 1,800 'red' shops and employs almost 56,000 people with an

Altogether Mondragon companies employ more than 100,000 worker/owners and in 2007 generated revenues of more than \$24 billion.<sup>5</sup>

Mondragon cooperatives allocate each worker one vote. Profits and losses are distributed among all the members equitably because their efforts together determine the success of the company. It has its own bank with a thousand worker

receive 80 percent of their pay and, if they wished, undergo training for other work. This group would be chosen by lottery, and if the company was still in trouble a year later, the first group would return to work and a second would take a year off; these are responses which have people at the centre of decision making because it's what happens to people that counts.

Co-operatives may not have the capacity ultimately to confront capital in any decisive way, but they do and can have a role in the broader struggle. Co-operatives can act as catalysts for progressive change as democratic organisations with positive social impacts that are "part of the circuits of capitalism [that] also resist against its more dominant forms and can be agents of social transformation"<sup>6</sup>

Co-operatives may not have the capacity ultimately to confront capital in any decisive way, but they do and can have a role in the broader

annual revenue of €12 billion.<sup>4</sup> In Spain co-operatives have moved on to an altogether different level. The Mondragón Cooperative Corporation (MCC), is the largest consortium of worker-owned companies in the world. Founded in 1943 amidst the rubble of the Basque country, collective approaches to rebuilding society seemed natural and of course the radical republican and anti-fascist sympathies in the Basque region were important elements in the nurturing of the Mondragon experiment. Today the Mondragón corporation is one of the largest corporations in Spain and comprises more than 120 co-operatives, as well as more than 100 subsidiaries that MCC has purchased and hopes to convert to co-operatives.

4 Fitch, R 'The cooperative economics of Italy's Emilia-Romagna holds a lesson for the U.S. In Bologna, Small Is Beautiful', *The Nation* 1996: 18-21

owners and over a hundred branches, an entrepreneurial division, insurance and social security institutions, schools, a university, a health maintenance system and a health insurance cooperative.

Of course co-operatives are affected by the global financial crisis, but the difference from most capitalist enterprises couldn't be greater because in a co-operative the worker/owners meet together to review their options democratically and there are no forced redundancies. In a previous recession the worker/owners agreed that 20 percent of the workforce would leave their jobs for a year, during which they would continue to

5 Kelly, G and Massena, S (2009) Worker-Operatives Decide How to Ride Out a Downturn, <<http://forum.woodenboat.com/showthread.php?102119-Mondrag%F3n-Worker-Cooperatives-Decide-How-to-Ride-Out-a-Downturn>>

## A Co-operative private sector

Across the globe neo-liberal economics continues to have hugely negative social consequences such as increases in inequality, poverty and social instability. In Northern Ireland the welcome transition from violence to peace has been accompanied by an equivalent but potentially devastating transition to that same neo-liberalised economy using the financial crisis as cover.

6 Dobrohocski, R (2006) Co-operatives as spaces of cultural resistance and transformation in alienated consumer society - III Conferencia Internacional La obra de Carlos Marx y los desafíos del Siglo XXI

An insidious media, business, political and indeed 'third sector' consensus has emerged which seeks to 're-balance' the economy by hiving off the public sector to charities and churches and make the region more 'favourable' to Foreign Direct Investment through increased corporate welfare and a concerted ideological attack on trade unions and the welfare state. Such political and institutional addiction to a failed neo-liberal orthodoxy only guarantees future economic and social insecurity.

If we want a balanced, stable and sustainable island economy with strong public and private sectors, it is perhaps time to recognise the contribution to be made from a strong and innovative co-operative private sector. Co-operatives can offer genuine economic benefits, especially in post-conflict societies and in under-developed private sectors such as we have in Northern Ireland. Here the co-operative movement as a whole currently comprises credit unions, agricultural co-operatives, housing associations and of course the co-operative retail movement. They have over £2 billion in assets and up to 350,000 members providing employment to perhaps 4,500 people and they make a substantial contribution to the economy. A strong co-operative sector can support job creation, generate new investment, tackle poverty and contribute to sustainable economic development.

Worker co-operatives however are almost entirely absent. It is clear that worker co-operatives can offer an alternative means to create employment but they can also resist and challenge sectarianism by bringing workers together daily to work democratically for joint benefit in which values of solidarity and democracy replace the dynamics of suspicion and mistrust. Northern Ireland has high levels of social capital and social need and co-operative forms of economic activity deserves to be part of the creation of a sustainable economy, that minimise the 'leakage' of revenue streams (profits, wages, assets, credit creation) to outside the regional economy. The model of cooperative development needs to extend beyond retail and farming just as the focus on social enterprises generally needs to seriously look at worker management and ownership if it wants to create sustainable, independent and democratic work.

it is perhaps time to recognise the contribution to be made from a strong and innovative co-operative private sector.

There is an alternative to what's happening, in fact there are thousands, there has to be. A co-operative private sector is simply one. Alternative forms of economic organisation like co-operatives begin to bring the economy that dictates our lives and our futures under democratic control and show us their liberating potential

as forums of democratic participation providing fertile ground in the struggle for a real participative and emancipatory democracy.



WHY AUSTERITY IS NOT  
COMMON SENSE BUT  
**POLITICALLY DRIVEN**  
NONSENSE (PART 1)



AGE OF  
**AUSTERITY**

# WHY AUSTERITY IS NOT COMMON SENSE BUT POLITICALLY DRIVEN NONSENSE (PART 1)

**DR ANDREW BAKER**

Austerity is the new commonsense on how to reduce the huge increase in public debt caused by the financial crisis through stringent spending cuts. The UK coalition government have convinced a significant part of the electorate and the media that the cuts are the 'necessary' solution to current economic problems and the route to prosperity. The austerity agenda is a politically driven nonsense. To understand why this is so, we have to engage more fully with the case for the cuts and identify how austerity emerged as the new common sense agenda in the current circumstances. First, five claims made by the coalition government will each be scrutinized. Second, some observations about the politically expedient and opportunistic nature of the strategy of the coalition government will be made. Third, an alternative prescription will be forwarded.

## One

The country was on the verge of bankruptcy and risked becoming like Greece

This is title is inspired by a short video put together by Professor Mark Blyth of the Watson Institute, Brown University, simply entitled 'Austerity' see [www.vimeo.com/15061570](http://www.vimeo.com/15061570).

This paper is direct reflection on the ideas and argument used by the UK government to justify 'austerity'. Also see Blyth's forthcoming book *Austerity: The History of a Dangerous Idea*, Oxford University Press.

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In short, it is far easier to use public spending to support the economy

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George Osborne first made this claim in an op ed piece in the Daily Telegraph on 21 December 2009. This claim has become instrumental in explaining the necessity of the cuts to the electorate. Osborne repeated the claim in his speech to Parliament announcing the Comprehensive Spending Review on October 20 2010. According to both HM Treasury and the National Statistics Office, total UK public debt is 64.5% of GDP (57.2% of GDP without bank bail outs.)<sup>1</sup>

<sup>1</sup> <http://www.hm-treasury.gov.uk/d/psf.pdf>.  
<http://www.statistics.gov.uk/cci/nugget.asp?id=206>.

That is only 4.5% above the Maastricht convergence criteria on public debt for entry into the Euro, that was considered 'punitive' after a decade of fiscal consolidation in Europe in the 1990s.<sup>2</sup> It is not the debt-GDP ratio, of a country on the verge of bankruptcy. Most historical data sets suggest that financing problems for governments do not arise until debt/ GDP ratios go well over 90% and get close to 100%.

<sup>2</sup> So punitive indeed that he condition was eventually waived in the case of countries like Italy and Belgium.

Moreover, the Bank for International Settlements (BIS), ranks the UK joint second, with Germany, out of G7 countries for the lowest government debt as a percentage of GDP. <http://www.bis.org/publ/work300.pdf>. Taken across all OECD countries, total public debt as a percentage of aggregate GDP is 96%. At 64.5% the UK is well below average. Between the 1920s and the 1960s, UK public debt was almost permanently above 100% of GDP. Neither, historically nor comparatively, is UK public debt anywhere near record levels.

All of this would be immaterial however, as the Irish government is discovering, if those current arbiters, agenda setters and veto players of contemporary public policy, - the bond markets lacked 'confidence' in UK public debt. However, the rate of interest the government was paying on UK government bonds peaked in 2009 at just over 3% on 10 year bonds. Now those rates are down to 2.5%. The financing of UK government debt is almost all long term, - and at affordable rates. Unlike Greece and the Republic of Ireland, the UK has its own currency, can turn to quantitative easing or devalue the currency (to lower rates) and the debt itself is denominated in sterling and is almost entirely British owned. The chances of the UK government defaulting on debt repayments are as close to zero as is possible.

Consequently, Osborne's claims have left many good judges of the intricacies of public finance, speechless and incredulous. Rachel Lomax, who headed the public finance section at HM Treasury under both Thatcher and Major governments and is by no means a 'deficit dove' has claimed that Osborne's comparisons with Greece are absurd - 'it is just not true, we weren't on the brink of bankruptcy.' Market voices such as Trevor Greetham, asset allocation director at

thrift and belt tightening, and the hardships they will be experiencing in difficult times. Both this and claim 1 are rhetorical devices designed to create a sense of moral panic about levels of public debt. Unfortunately, there are some rather obvious differences between households and governments when it comes to debt. Household income is not dependent on tax revenues from a complex range of economic activities that follow a variety of cycles and trends within an

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Believing in growth friendly fiscal consolidation in the current conjuncture, is rather like 'believing in a magic unicorn with a bag of magic dust.'

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Fidelity Investment, have been equally clear, 'the UK is under much less pressure from the markets to cut government spending than is commonly believed. The UK is not Greece'. Ultimately, the evidence running contrary to Osborne's assertion is substantial and speaks for itself.

## Two

The Government debt is like household debt, or credit card debt. Like a household we have to balance the books and not live beyond our means as a nation. Cameron has likened government debt to credit card debt, while Clegg, much against the wishes of his own party's advisers, has repeatedly used the household analogy. This is a common sense empathetic appeal to the electorate's instinct for

entire sovereign jurisdiction. Neither do households have a moral and political responsibility for managing an entire national economy, in accordance with a wider 'public interest'. Households do not have the capacity to determine the supply of a currency they preside over, which enables governments to issue their own IOUs. It is next to impossible for a country with its own central bank to go bankrupt. In short, governments are not ordinary debtors. They have more capacity to create and manage more debt, for many varied purposes and demands, which in turn have to be juggled. In certain circumstances, as democratically elected sovereign authorities, governments have a moral obligation to actively increase debt to protect their



citizens from the vagaries of the economic cycle. A government's calculations, impulses, responsibilities, strategies and possibilities are therefore infinitely more varied and complex than those of a household. Their capacity to take on debt, to pay it off, or to put it on the back burner, by negotiating very long term options is immense, but also can change quickly in accordance with the rhythms of wider economic cycles. In short, the household and credit card analogy is entirely fatuous and it is not something serious politicians should be reaching for unless they wish to: insult the intelligence of their populations; are sufficiently arrogant to think they can get away with it; or are genuinely economically illiterate?

## Three

**The Spiralling public debt is the result of 13 years of ruinous Labour spending and economic mismanagement. When Labour came to power in 2007 they inherited a public debt of 42.5% of GDP, by 2001-02 this was down to 29.7% of GDP. By 2007 as the financial crisis was beginning to unfold, total public debt had risen to 36.5% of GDP, second lowest out of G7 countries at the time. There is nevertheless a plausible argument for saying that fiscal policy was insufficiently counter cyclical during the 2001-2007 boom. While the argument that Labour should have cut**

spending during the boom period has done much to dampen the huge asset bubble that was inflating in Anglo-Saxon financialized economies, and it is difficult to believe that the greater public resources accumulated would have been sufficient to have offset the huge increases in private debt that caused the crash and later translated into exponential increases in public debt. Second, the increase in public debt during the period 2001-2007 was due to extensive capital investments in education and health, following two decades in which infrastructure in both areas had been neglected. During the 2001-07 period, public debt increased by about 1 per cent of GDP a year. However, the real explosion in UK public debt comes in 2008, following the financial crisis. We have seen a 28% of GDP increase in public debt from FY2007 in the space of 2-3 years. The contribution and size of the bank bailout is difficult to calculate, because of accounting complexities and because the full cost of resolving opaque bank balance sheets through intricate bail out packages are still emerging. Using the ONS data referred to earlier, the bail outs appear to have added 7.3% of GDP to the national debt, but this is undoubtedly a



very conservative measure.

Taking this measure, 26% of the increase in national debt since the financial crisis would appear to be accounted for by financial bail outs. In 2009-10, tax revenues were £100 billion less, some 17% lower, than the Treasury had predicted at the start of 2008. When we consider that the CSR documents £80.5 billion in spending cuts up to 2014-15, which is pledged by the coalition to bring the deficit down to 2.5% of GDP and the debt to 42% of GDP, the huge scale of falls in tax receipts brought about by the financial crisis induced economic downturn becomes clear. The explosion in public debt is therefore primarily down to a combination of the cost of bail outs, the collapse in tax revenues and the increase in social security outlays resulting from unemployment rising to 2.4 million. Despite references to the structural deficit it is primarily a cyclical debt and deficit that requires economic recovery for it to



fall. The alarm for the UK is the rate at which the annual deficit (annual government borrowing requirement) has been rising.

This is currently 11% of GDP. This is the highest **annual** deficit out of G7 countries. The reasons for this lie in the structure of the UK economy and how badly it was hit by the financial crisis, resulting in the biggest downturn since WWII. 25% of UK tax receipts, prior to the crisis came from financial services. Between 2002 and 2007 British bank balance sheets tripled, and it is widely accepted that the UK financial system was even more heavily leveraged than the US. A global financial crisis was always going to have severe ramifications for the UK, in terms of an overstretched banking sector putting public finances under strain, resulting in big bail outs and a severe contraction in growth. If new Labour stands accused of anything therefore, it is not profligate rampant public spending, despite claims to the contrary, but failing to address the structural weaknesses of the British economy, notably the over reliance on financial services and the failure to adopt a stricter financial regulatory line. The relationship with the City of London, manufactured for political reasons (and some questionable economic ones) looks in retrospect to have been New Labour's Achilles heel. New Labour inherited a growth model which they

failed to challenge. Instead they took it to the next stage. Serious questions need to be raised about the sustainability of a financialized debt ridden growth model. Austerity offers no prospect, or strategy for overhauling that growth model. Indeed, it potentially makes the UK ever more dependent on rising asset prices as a route to growth.

## Four

Bond markets were demanding cuts in public spending and without them interest repayments on government debt would have spiralled out of control, choking off any prospect of UK economic growth.

Bond markets will be reassured by cuts, as a symbolic act – or a confidence trick, but the trick needs to work, and total public debt and annual budget deficits actually need to reduce, as a consequence of the cuts. If cuts actually result in the debt and the deficit getting bigger (as in Ireland), because of falling growth, reduced tax revenues and increased expenditures, governments will have a credibility problem. Confidence is subjectivity. Simply offering up spending cuts might buy a government short-term credibility gains, but the cuts alone cannot guarantee even medium term confidence in either bond markets, business more generally or the public at

large, because ultimately no governments is in a position to determine its own deficit. This depends on the actions of the economic system as a whole and its reaction to government policies. For deficit reduction to become a reality, cuts need to be accompanied by growth. Debt and deficits (see 3 above) are largely cyclical. They fall when the economy rises, and they rise when the economy falls. They act as a stabilizer, protecting the population from severe downturns and offering the prospect of a return to growth, but they also start to reduce once growth and recovery returns.

If cuts damage UK growth, as the Office of Budget Responsibility accepts, the Debt will actually get bigger, (see the recent southern Irish experience, and numerous other examples throughout history of large scale fiscal contractions as a response to recession, which actually made public debt worse). Once this occurs a downward spiral of contraction can occur. Cutting spending before recovery is secured, could mean growth fails to materialise. Tax revenues then remain stagnant and erode further. Unemployment rises and social security outlays increase. This squeezes consumer demand and so business confidence suffers, as do order books, damaging corporate profitability, leading to further unemployment, more social security outlays, and further reductions in

tax revenues and so on. In such circumstances, it is far harder to resort to increased public spending to stimulate the economy, because the interest rates the bond markets demand to hold government debt have now risen as confidence and credibility have evaporated, because of the failure of the government's initial policy.

In short, it is far easier to use public spending to support the economy, or at least to keep it neutral until recovery is secured, than to try it the other way round and reverse course once the cuts are underway. If cuts do not produce the required growth to bring down the deficit, bond markets and the voices arguing for cuts now, will demand further cuts, and the government's fiscal room for manoeuvre will be far less than it is today because market rates on government bonds will have risen. Short term credibility gains by macho posturing (what the government is effectively doing) would therefore be largely illusory and a lengthy period of stagnation and recession would surely follow. Following a 6.8% of GDP fall in output in the UK, reaching a low point in mid 2009, a positive increase in output only re-emerged in the first quarter of 2010, and with the banking/ credit problem still far from resolved, as evident in the Bank of England's return to quantitative easing, the timing of spending cuts embarked upon by the coalition

government, are a high risk strategy. In this sense, the cuts are an attempt at a symbolic confidence gesture, but in a situation that has been far from critical in terms of the 'confidence' of bond markets. It is the economic equivalent of putting the cart before the horse – the horse being the restoration of the growth, which in turn leads and moves the cart of bond market confidence in the desired direction.

## Five

**Fiscal austerity is expansionary and will lead to private sector growth. All economic theory is contingent.**

There is no such thing as a universal economic truth that applies everywhere at all times, irrespective of particular, social, political, economic and historical contexts. Bearing this in mind, as my good colleague at Brown University, Mark Blyth, has recently observed, believing in growth friendly fiscal consolidation in the current conjuncture, is rather like 'believing in a magic unicorn with a bag of magic dust.'

Blyth is not alone in taking this sceptical view on growth friendly fiscal consolidation. Similar sentiments have been expressed by Dean Baker (CEPR), Robert Skidelsky (LSE/ Warwick), Brad De Long (University of California), Nouriel Roubini (Stern Business



School), Avinash Persaud (Intelligence Capital), with all warning of the dangers of premature austerity. You will notice that the other thing that ties this list together is that they were the very voices who called the financial crisis and were right about the dangers and problems brewing.

On the other side are those who dismissed these concerns and are now advocating austerity. It is this theoretical school of thought, broad church though it is, that is now being listened to in the drive to austerity. Theories of growth friendly fiscal consolidation are as close we get to an intellectual underpinning for the coalition's policies, so they deserve further scrutiny.

*(in Part 2 of the next journal).*



# SOCIAL JUSTICE REVIEW

'Working For Social Justice'



*Contact us at the below address  
for more information:*

**Trademark**, NG2 North Building  
Twin Spires Centre,  
155 Northumberland Street,  
Belfast  
BT13 2JF

[t] 028 9033 1053

[w] [www.trademarkbelfast.com](http://www.trademarkbelfast.com)

[e] [info@trademarkbelfast.com](mailto:info@trademarkbelfast.com)



## 'Working for social justice'

Trademark is a social justice co-operative established in 2001 by a committed group of activists from the community and voluntary, public and trade union sectors and is an official partner of the Irish Congress of Trade Unions. Our key areas of work includes the delivery of training, research and evaluation on a range of related themes including equality and good relations, peace & reconciliation human rights, trade

union education and political economy. Trademark also provides workplace and parades mediation, facilitation, strategic planning, workplace representation for non-unionised workers and project and event management. Our professional and experienced team have an excellent reputation across a range of sectors bringing skill,

