

Smart Taxes Budget Submission:
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1. General Policy Framework/Objectives

'The recently published Review of the Programme for Government stated that the Government's overarching objective in the short-term is to return the economy to a sustainable position.' Smart Taxes advises that the short-term must be subject to the long-term objective of full sustainability which prioritises environmental and social sustainability using the economy as a mechanism to deliver it rather than being an objective in itself. The economy was demonstrably not sustainable in the recent past and it is futile to seek to recreate it. Resilience is a better objective for the economy as it will have to change its internal rule set from maximizing to minimizing material throughput while remaining effective in the face of a high probability of disruptive external shocks. These shocks include peak oil, possibly peak water and other essential resources but also further financial turmoil as the Ponzi scheme claims on limited real wealth unwinds; all in the context of unavoidable legacy climate change.

Smart Taxes Budget 2011 Submission will outline the basis of a shift in public finances which can meet key government objectives while operating within the guidelines of long-term environmental, social and economic sustainability.

The main objectives outlined are:

Replace: Assist economic growth through restoration of competitiveness
Assist resilience growth through creation of real environmental and social wealth
Replace: Prevent debt rising to unsustainable levels
Reduce private debt. Reduce public debt while under current ECB regime.
Ignore public debt per se under proposed ECB regime (Proposal 2)
Repalce: Restore expenditure and taxation to more sustainable levels
Reform expenditure and taxation systems to align with sustainability objectives
Add New Objective:
Remove priviledges; in the use of commons, of protected sectors, of cohort age.

And the Guiding Principles are outlined as:

Replace 'Correcting the public finances' with
Reforming the public finances
Replace 'Restoring the damaged banking system' with
Reforming the banking system
Replace 'Regaining competitiveness' with
Regaining cooperativeness as well as competitiveness where beneficial
Replace 'Protecting jobs and investing in retraining those who have lost jobs' with

Guaranteeing jobs with training to whoever wants it i.e. government acts as Employer of Last Resort (ELR).

Key Proposals

1. Announce the end of the bank guarantee cover for bondholders in all banks while retaining it for depositors when the current guarantee runs out (as per Peter Mathews).
 - a. Negotiate 50% share of losses with bondholders.
 - b. Nationalise BoI and AIB and EBS and require letters of resignation from all senior management and boards.
 - c. Wind up Anglo Irish Bank and Irish Nationwide Building Society
 - d. Transfer NAMA loans to original (now nationalised) banks to realise realistic value with oversight by independent monitoring board to ensure developers do not benefit.
2. Campaign for ECB to disburse debt-free money to Euro States on a per capita basis (see Auerbach Deficit Terrorism). At least 2 trillion should be disbursed immediately with a further 5% of Eurozone GDP distributed per annum.
 - a. In Ireland and other indebted Eurozone States, 50% of this money should be given to the people as vouchers to reduce personal debt and/or to invest in renewable energy and energy conservation. 50% should be used to retire existing government debt.
 - b. In Germany and other net saver Eurozone States, 100% should be given to the people as vouchers to spend as they desire but not to save.
 - c. There is no moral hazard as every citizen would benefit equally – borrowers do not gain over savers whether they be governments or individuals.
 - d. Bank reserve requirement should be gradually increased to 50% so that they are constrained from lending/creating money when economic conditions improve so as to control inflation. (see Phillip Lawn and Stephen Keen).
 - e. The ECB governance should be reformed to include democratic control by long-sighted elected representatives from the Eurozone States., i.e. senior statesmen
 - f. The Stability and Growth Pact would continue to police inflation and deflationary pressures to maintain the Euro value constant within the zone. The Euro would still float relative to other currencies.
 - g. Eurozone States that permit asset price inflation especially of land, and factors of production (excepting energy), can be sanctioned and inflation controlled by a lower annual allocation of debt-free money. This would give teeth to the SGP without interfering directly in national fiscal policies.
3. Meanwhile until the ECB is persuaded to reform as per Proposal 2, the Irish Government should raise money on the open market by selling

- bonds backed by the promise to accept the bonds as payment for Irish taxes. (see Auerback and Mosler 'Greece can go it alone').
- a. This is the equivalent of the government issuing Euro as in the current system, money is backed only by an issuing government's requirement that taxes must be paid in the money it issues. If bonds can be used to pay taxes in lieu of Euro, they are as good as Euro.
 - b. Bondholders do not have to be doing business in Ireland to benefit as they can sell the bonds to Irish people and businesses probably at a small discount to face value. This reduces their risk considerably (default is removed as a consideration) so that the spread in interest coupon demanded by buyers over the German rate should reduce. Bond spreads were 300 basis points at one point on 12th August 2010; the yield on Irish 10-year bonds broke through the 5.4 per cent mark.¹
 - c. Irish people with a large tax obligation would be incentivised to buy the bonds over non-nationals which would increase the Irish citizen share of Irish government bonds over time - generally believed to be a good thing. Currently it is circa 20%.
 - d. This measure is potentially inflationary as debt is not eliminated (and thus the money circulating reduced) as in Proposal 1. It is unlikely to cause much inflation if only Ireland adopted the measure because of the relatively small size of the economy and current deflationary pressures. But if it were copied by Spain for instance and became widespread, it could be problematic. The ECB might then look more positively at Proposal 2 which is the sustainable solution to the monetary and fiscal crisis.
 - e. On the plus side the ECB would have less need to buy Irish or other PIIGs government bonds as it has on many occasions² to place a floor on their value.
 - f. There appears to be no rule or law under the Maastricht or Lisbon Treaties that prevents the Irish government from operationalising this strategy.
4. It should plan to increase borrowing over that currently projected to fund a Job Guarantee programme and Investment for Resilience especially in Energy.
 - a. 4% of GDP annually of this borrowing should be invested in Resilience measures (129 billion *4%=5.16 bn in 2010) as per Stern Recommendation to address climate change.
 - b. The Job Guarantee is an Employer of Last Resort (ELR)³ measure that acts as a buffer of the employed replacing a (NAIRU) buffer of unemployed to control inflation.
 - c. The program will offer a job to anyone who is ready, willing and able to work regardless of race, gender, education, work

¹ Irish Times, 12th August 2010, Irish borrowing costs 'ridiculous'

² [ibid](#)

³ Centre For Employment and Price Stability *Digest*, 2001:2:1

- experience, or immigration status, and regardless of the performance of the economy. The government would provide the wages and benefits for the program.
- d. Job Guarantee (JG) is an employment safety net. It should not compete with the private sector or even with non-ELR employment in the public sector. It is not a program that operates by “priming the pump”, that is, by raising aggregate demand. JG hires off the bottom.
 - e. The goal is full employment but with loose labour markets. With JG, labour markets are loose because there is always a pool of labour available to be hired out of JG and into private firms.
 - f. The JG compensation package should provide a decent standard of living even as it helps to maintain wage and price stability; probably set at the minimum wage with the usual employment benefits and conditions.
 - g. JG experience should prepare workers for post-JG work—whether in the private or public sectors. Training and retraining should be an important component of every JG job.
 - h. JB workers must be engaged to build Resilience and Sustainability in the areas and ways best carried out by the public and not-for-profit sectors. JG workers should not do things that are already being done, and especially should not compete with the private sector. That leaves still plenty to do.
5. Announce and implement of Site Value Tax (using JG workers) covering developed and zoned land to raise 2 billion at year end year (see Smart Taxes Implementation of Site Value Taxes Report July 2010)
- a. Government instructs Department of Finance to establish an inter-departmental coordinating group for Site Value Taxation (SVT Working Group)
 - b. SVT Working Group should Set up a technical advisory board to Commission study on percent level of SVT to levy etc. Instruct Law Reform Commission to identify and report on any remaining Data Protection issues. Develop a communications strategy. Develop consultation and appeal systems. Develop and implement collection methods.
 - c. This above to include a reduction/exemption system for recent buyers and senior citizens and requirements, verification and reduction/exemption system for temporary community use of development sites.
 - d. Integrate or merge the Property Registration Authority (PRA) with the Valuation Office (VO) to expedite completion of Land Registry and property boundary information, including the incorporation of Registry of Deeds information in landdirect.ie . Integrate databases with unique geo-code identifier, using landdirect.ie as a base.

- e. Initiate a research study using existing PRA and Valuation Office data and contemporary comparables, benchmarked against a visual inspection to derive algorithms for percentage of land value to property value in various categories and locations.
 - f. With this information carry out initial interim site valuation for the whole country, excluding agricultural and commercial properties, and upload to public website. Descriptive information can remain restricted while land values are public.
 - g. Develop new instructions for property agents to estimate and register land value element of sale price and include further descriptive data for all new property transactions, residential, commercial and agricultural and report to the PRA and the recently announced Property Services Regulatory Authority.
 - h. Facilitate appeals system based on interactive online land value map. Launch Interim SVT in budget 2011.
6. Announce and start preparations for Land Value Tax (using JG workers) covering the remaining non-zoned agricultural, forested, and peatlands by 2013.
- a. The annual Land Value Tax should be based on a percentage of its value for agricultural productivity and renewable energy i.e. wind or biomass source based on market information - less its community value as a carbon sink, biodiversity and recreational resource.
 - b. Land Value Tax should replace income tax on farming and forestry income which raises very little and is an accounting burden.
 - c. LVT would also replace current rates on energy generation installations such as windfarms that come under commercial rates.
 - d. LVT would reward productive, sustainable farming and help build food security within Ireland and Europe; compatible with Harvest 2020 objectives.
 - e. LVT would encourage higher level of sales and leases of land, reducing farm prices to allow new entrants and consolidation.
 - f. LVT would discourage peat extraction and peatland destruction by internalising the carbon cost of degradation into its capital value, while rewarding owners who restore bogs to net carbon capture stores.
 - g. LVT would reward farmers and foresters when they maintain hedgerows, forestry and biodiversity rich scrubland and biodiversity. For instance, important Natura designated sites would carry a positive LVT (annual grant instead of tax because community value exceeds commercial value)
7. Roll out domestic water metres (using JG workers) to prepare for domestic water charges.
- a. Water charges should be removed from local authorities and given to independent River Basin /Watershed Trusts or a single Trust with

- responsibility devolved to River Basins teams. Environmental NGOs should comprise one third of Trustees.
- b. The Water Trust/s would monitor quality, quantity and biodiversity as well as flood risks to determine sustainable levels of extraction for each water resource and charge local authorities accordingly.
8. Raise Carbon Tax to equivalent of €60 per tonne Co2 by requiring permits to import and mine fossil fuels and redistribute to promote investment in low carbon alternatives. (see Cap and Share www.Feasta.org).
 - a. Share out of 75% of receipts to every adult resident.
 - b. Make 25% available to local authorities and approved private pension schemes to invest in distributed renewable energy.
 - c. Amend other RE support schemes including REFIT to take this into account.
 9. Separate out the Transmisison Grid 'Eirgrid' and the Distribution Grid from the ESB into independent public entity.
 - a. Direct the now truly independent Eirgid to publish all technical information about the Distribution Grid so that energy developers can estimate costs of connection and upgrade to speed evaluation of sites
 - b. Direct Eirgid to invest in the distributed, embedded energy model upgrade of the distribution grid (using GJ workers)
 - c. Instruct Eirgrid to support 'private wire' and 'community-owned wire' and Energy Service Companies (ESCos) prioritising community and pension fund partnerships (using GJ workers).
 10. Require that utilities determine true cost of providing services for every location.
 - a. The true cost should be noted on consumer bills and discounts highlighted so as to expose real resource and labour costs. These discounts are paid for by other consumers whose location and density of settlement cost less to service.
 - b. Phase out flat rates for utilities i.e. seek full cost recovery for remote dwellers and reduce for urban dwellers over six year period with exemptions for essential workers.
 11. Introduce a new very high rate i.e. 80% of income tax for privileged workers earning over 200k pa.
 - a. Privileged workers are those who are shielded from open competition because of their essential expertise, bargaining position and age cohort. They include highly paid public representatives, public and civil servants and semi-state sector management such as the ESB etc. They also includes the highly paid legal and medical professions and the entire financial sector (covered under the guarentee and not) and top union officials.
 - b. This measure will not raise significant revenues but will raise social solidarity as public support for cutbacks and restructuring is needed to transition to sustainability and build a resilient economy.
 12. Remove citizenship from Irish tax exiles as per Labour Party suggestions

- a. The benefits of citizenship comes with responsibilities that include contributing to the services and protection the Nation State provides.
 - b. Charitable contributions do not substitute for full payment of taxes.
13. Reform the pension system to build solidarity between sectors, generational cohorts and to build local resilience.
- a. Most Pension investment is very likely to be revealed as worthless to their beneficiaries as the great financial deleveraging continues.
 - b. Financial turmoil will also exacerbate currency revaluation against each other that could wipe out capital growth and reduce returns to very little in the Irish currency. This risk is not properly accounted for under current assessments.
 - c. The difference between public sector and private sector pensions erodes social solidarity, inter-sectoral mobility, contributes to public sector rigidities and obfuscates payment level comparisons. In a time of economic volatility it is unsafe to offer public pensions on the basis of final salary grade.
 - d. The best and most secure pension investment is that which keeps our young people working at home so that their taxes can pay for the current middle aged cohort when they retire. 'Pay as you Go' is the most efficient pension system. Therefore the basic non-contributory pension should be expanded to provide the greater part of future provision for public sector and private sector alike.⁴
 - e. A public contributory pension option at 30% should be offered to public and private sector alike on an 'opt out basis' that is 100% invested in local resilience building i.e. energy, food, transport, and settlement and eco-system services.
 - f. Further income tax relief at a single rate (20%) should be offered to public, private and self employed alike for savings in Irish government Bonds if the Irish government regains monetary sovereignty or Eurobonds under Policy 2 and higher rate (30%) for investment as public contributory pension.
14. Provide funding for research and planing to build resilience in rural settlements- focussing especially on villages and towns with 'ghost Estates'. Consider giving ghost estates homes free to remote dwellers to reduce future servicing costs.
15. Reform bankruptcy laws from 12 years to 3 years ban on directorships and garnishment of income and legacies.
16. Reform landlord and Tenant legislation to allow for retrospective reduction of rents.
17. Enact legislation for Limited Liability Partnerhsips for tax compliant partners with 3% tax on LLP.
18. Announce move to citizen centred single Health Insurance System
19. Announce move to citizen centred education vouchers for use in public/private/not-for-profit sectors alike

⁴ Tax Justice Network.

20. Announce move to citizen centred housing vouchers for use in public/private/not-for-profit sectors alike
21. Ditto vouchers for not-for-profit community development, voluntary services and environmental NGOs and culture services.

Competitiveness

The government has highlighted the restoration of competitiveness as a main objective of its budgetary policy. This means cutting costs (business taxes, salaries, public services, energy and resource costs) to sell our goods and services cheaply abroad. This is the same strategy being adopted throughout the Eurozone and is a zero-sum game. Every country cannot be a net exporters. It also has to be remembered that export real goods in exchange for a virtual wealth of a promissory note may not be a good risk reduction strategy.

There is a case for cuts in privileges throughout the public and private sectors that is expressed in high salaries fees and bonuses of some in essential and therefore protected sectors. Particularly high costs are rents and debt and these are more of a problem to business than the other input taxes. As such, these should be dealt with first.

Inter-Generational Inequity

The important division in benefits is not between the public and private sectors but between the privileged old and the young. Inter-generational inequity is blatant in both sectors and must be tackled. This is particularly evident in the disproportionately high salaries and pensions of high-grade civil servants, salaries and fees of semi-state managers, hospital consultants and other senior medical professionals, the upper levels of the legal profession. The lower-grades, new staff, young employees, subsidise the above through low-pay, yellow-pack conditions, insecurity, overwork and lack of career opportunities. These are the lucky ones; many both highly educated young people have emigrated or are planning to emigrate.

Public and Private Sector

Debt

The DoF Estimated in the Budget 2010 that total revenue will be 34.28 bn in 2010. For the full year the exchequer deficit was estimated to be 21.9bn. In August the DoF forecast for General Government Debt to GDP ratio at end-2010 is estimated to be 83.9% with an annual deficit of 13.5% to GDP⁵. The ESRI

⁵ Department of Finance, August 2010 Monthly Economic Bulletin

estimates GDP at market rates at circa 158.0bn and adjusted for Terms of Trade at 130.9 bn.⁶

Independent economic commentators say Ireland sovereign accounts this year are likely to come out with a 20% plus deficit relative to GDP. This would mean nearly a quarter of domestic economy would be accounted for by the shortfall in public finances. Debt could easily reach over 87% of GDP and close to 110% of GNP just including the full Anglo amount of €22bn but excluding NAMA and the rest of recapitalizations liabilities.

While Ireland remains in the Eurozone, it lacks the capacity to shoulder the private sector debt of the banking sector - it has problems enough with its own. Without monetary sovereignty and absent the ECB acting to disburse debt-free money, the Irish government must act in the wider interests of its citizens by renegotiating the terms of the bank guarantee when it expires.

This will not lead to a rise in exchequer borrowing costs as a result of bond market sentiment seeking to punish the government for this action, as it is intelligent enough to know that the debt originated in the banking sector not the public. It may well lead to reduction in borrowing costs as the government would be seen to be fostering the real economy as opposed to embalming a functionally dead banking sector.

The real economy requires- not cuts nor conventional tax increases - but a significant rise in government borrowing so that it can reform - not restore - the economy to build resilience to future threats. This can be accomplished at affordable borrowing rates if the government is willing to take innovative action as regards its bond offerings. It is not a 'Get Out of Jail Free' card. For this plan to work, the extra borrowing over government current plan must be demonstrably limited (or hypothecated) to create new jobs under a Job Guarantee Scheme and for Resilience Investment. It cannot be used to support existing 'insider' remuneration and benefits or to attempt to resuscitate the failed consumption economy.

Spending by the newly employed under a Jobs Guarantee scheme will quickly feed into the local economy to support small businesses and traders and to reduce mortgage debt and stress in families. New jobs will retain our educated young people in the country to contribute economically now and in the future when the current cohort of middle-aged retires.

Spending on resilience building projects such as participative planning and compact settlement redesign, distributed renewable energy generation, shared transport systems, energy conservation in buildings, nutrient recapture and reuse, carbon negative farming and forestry, smarter fishing and eco-system

⁶ ESRI QEC2010 Summary.

maintenance and restoration will recirculate many times as it has a high local labour and material share. Knowledge and expertise will be built that can be exported for foreign earnings.

The Plan is also absolutely conditional on a tax shift from transactions and incomes to the charging the real costs of using scarce natural and social resources especially land. This is essential for four reasons. The first is pragmatic, to reassure the ECB that the Irish government will control inflation with vigour even though it is a small economy, respecting German fears of contagion into an inflationary spiral. The second and ultimately the most important, is to conserve environmental goods and eco-system services. The third is to reassure lenders that the Irish government will never again allow a property fuelled Ponzi economy by taxing unearned land value it arises and so remove all temptation from the banks to lend against it. The fourth is to create incentives for a productive economy, where energy, risk and hard work are rewarded, taxes cannot be easily avoided and free riders and free lunchers are not tolerated.

The level of Irish private and public debt is unsupportable and cannot be paid. To quote Michael Hudson *"No one wants to accept the fact that debts that can't be paid, won't be."*⁷. In Ireland's case the sharp rise in government debt due to the property collapse was compounded by the Irish government guaranteeing private bank debt due to the property collapse. Funds put aside for pension provision were then injected into the banks to recapitalize them and stimulate the economy. Further capital injections will be through promissory notes impacting on our annual borrowing requirements. This strategy is not working and will not work to achieve either aim. Nations that took the course of injecting funds into the banking system as opposed to the general domestic population have seen increased unemployment. The theoretical framework explaining this phenomena has been convincingly developed by Steve Keen of Australia who has developed mathematical models based on Minsky's prescient concerns about the wisdom of markets that mirror real world outcomes more acutely than the conventional equilibrium models.

This is an important point, since although the scale of government response to the crisis was enormous across all affected nations, the nature of that response did vary: notably, the USA focused its attention on boosting bank reserves in the belief, as expressed by President Obama, that the money multiplier made refinancing the banks far more effective than rescuing the borrowers:
"And although there are a lot of Americans who understandably think that government money would be better spent going directly to families and businesses instead of banks – "where's our bailout?" they ask – the truth is that a dollar of capital in a bank can actually result in eight or ten dollars of loans to families and businesses, a multiplier effect that can ultimately lead to a faster pace of economic growth. (Obama 2009, p. 3. Emphasis added)

⁷ Hudson, Michael, The Looming European Debt Wars, Counterpunch, April 9 - 11, 2010

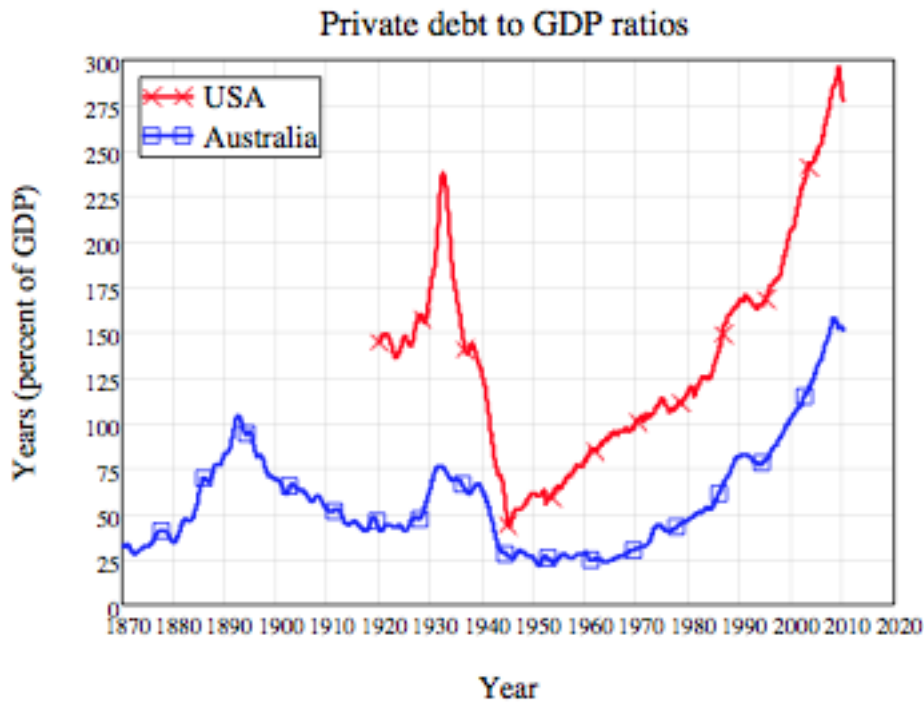


Figure 1: Private debt to GDP ratios, USA & Australia

The Australian policy response to the GFC, on the other hand, was pithily summed up in the advice given by its Treasury: “go early, go hard, go households” ((Gruen 2008)). Though many other factors differentiate these two countries—notably Australia’s position as a commodity producing supplier to China—the outcomes on unemployment imply that the Australian measures more successful than the American “money multiplier” approach (See Figure 2).⁸

⁸ Keen, Steve, “Are we it yet?” 2010 paper for Minsky conference New York.

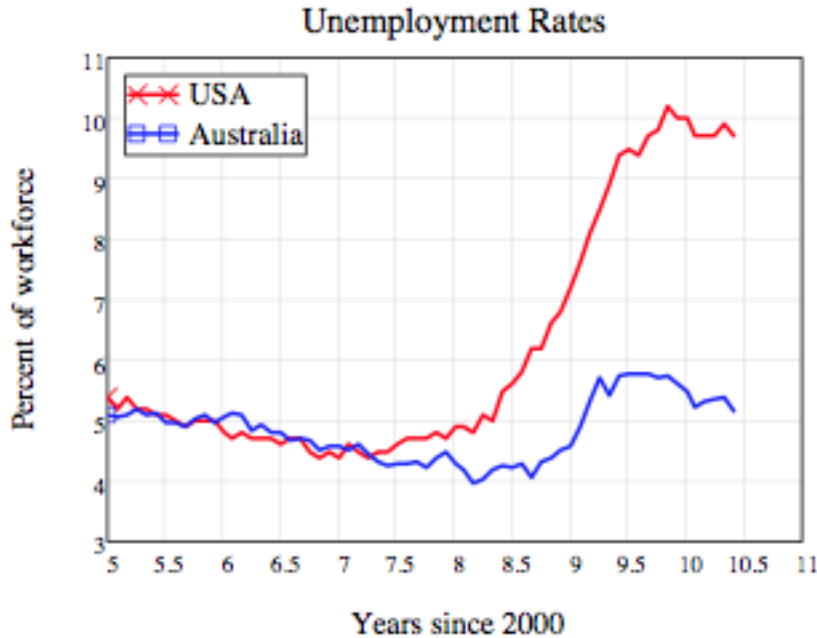


Figure 2: Unemployment rates US and Australia

In the long-term, the government should argue that the ECB should initiate disbursement of debt-free money to the Eurozone. This should be directed from the ECB to governments to disburse to their populations and should be take place on an annual basis. The ECB can ensure that Member States control inflation through taxation targetting asset price inflation such as land prices with vigour . The ECB can sanction governments that do nto control inflation by withholding the annual allocation. These new powers should be matched by greater democratic accountability though a council of senior statesperson elected by Memembr States

Rent

Defining Competitiveness

The European Commission defines competitiveness as “a sustained rise in the standards of living in a nation and as low a level of involuntary unemployment as possible.” The OECD defines it “a measure of a country’s advantage or disadvantage in selling its products in international markets.” Using these definitions it follows that regaining competitiveness would result in Irish-based firms expanding their market share while maintaining or improving the living standards of the population. The Budget should identify components of taxation and expenditure that can accomplish both of these goals, but within an overall remit of

Components of Competitiveness

Although the Government does not clearly define how to regain competitiveness there have been a number of reports and submissions on this topic from bodies such as the ESRI and the National Competitiveness Council. We will address these and criticise the approach taken to restoration of competitiveness.

Input Costs

A major factor in competitiveness is seen as the costs of the inputs to the production process, particularly labour and energy.

Labour

The approach taken by both the ESRI and the National Competitiveness Council is that labour costs must be 'adjusted' as part of achieving competitiveness.

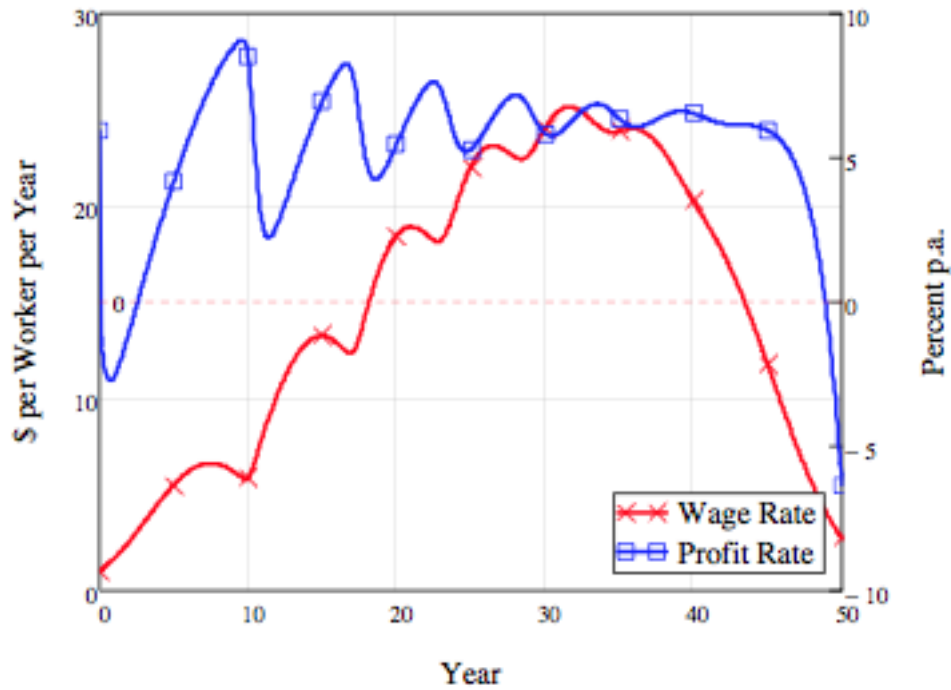
Reducing the input costs of labour does not necessarily increase competitiveness. Indeed, several studies have shown that an increase in wage levels is often correlated with improvements in competitiveness, visible through an increase in market share (Agenor, 1997).

“[T]he paradox is that while the conventional indicators related to price or cost competitiveness would predict losses in market-shares as a result of increases [in labour costs], the experience in the post-war period, as demonstrated by Faserberg (1988) and Amendola (1988) is that the countries which have experienced the fastest growth-rates in terms of exports and aggregate output, also have had much higher growth in unit labour costs than other countries

This 'perverse' relationship between growth in unit labour costs and growth in export market shares can be explained by accounting for the role of relative technological capabilities...increases in R&D and in productivity correlate better with increases in market shares for exports.”

While wage level reductions may reduce costs for employers, these should not be adopted as the primary strategy for reducing unit labour costs. Instead, reductions in the tax component of labour costs would be a major support to employers. The 'tax wedge' on labour has been increased in each of the last three Budgets and creates a major disincentive to employment. To encourage employment and stimulate domestic demand, the Government needs to remove such disincentives. Revenue-recycling from new bases of taxation can offset the loss of revenue caused by a decrease in employment taxes.

The final debt-driven collapse, in which both wages and profitability plunge, gives the lie to the neoclassical perception that crises are caused by wages being too high, and the solution to the crisis is to reduce wages.



What their blinkered ignorance of the role of the finance sector obscures is that the essential class conflict in financial capitalism is not between workers and capitalists, but between financial and industrial capital. The rising level of debt directly leads to a falling worker share of GDP, while leaving industrial capital's share unaffected until the final collapse drives it too into oblivion.⁹

⁹ Keen, Steve, *ibid* (P. 44)

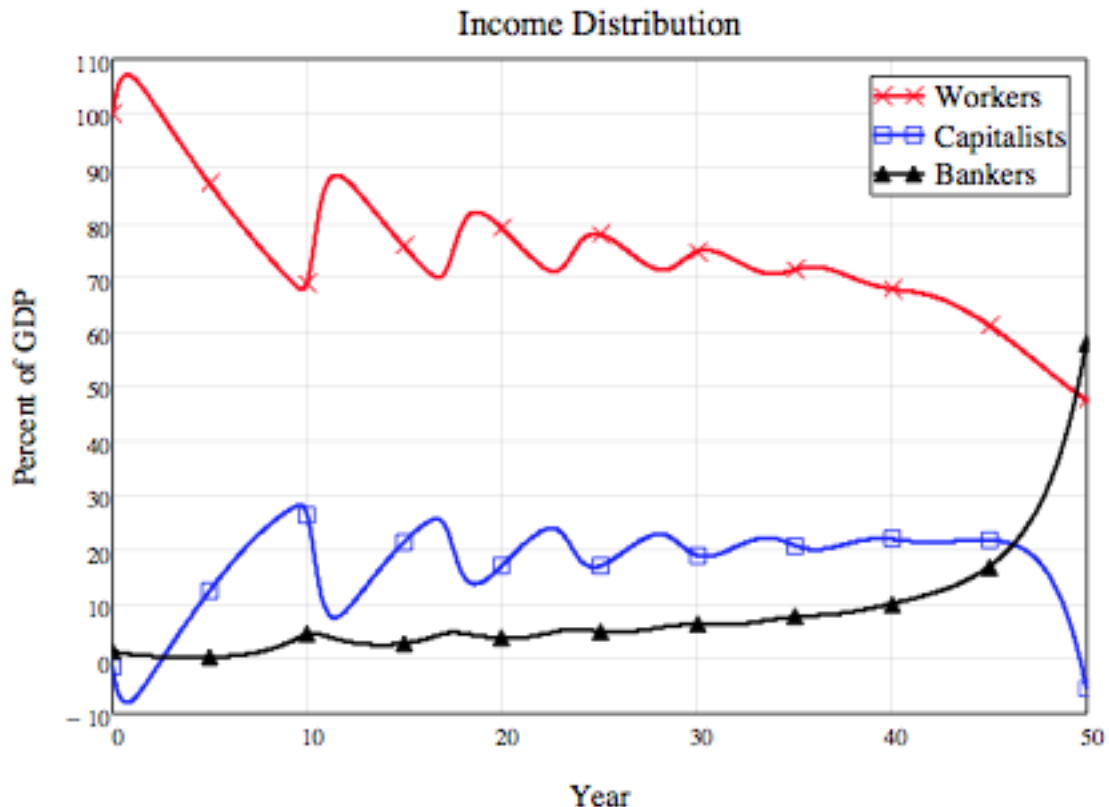


Figure 3: Income distribution cycles and the secular trend to falling wages and a rising finance share

The macroeconomic performance before the crisis would also fool any economist who ignored the role of the finance sector and the danger of a rising debt to GDP ratio--as indeed neoclassical economists did in the run-up to this crisis, when the waxed lyrical about "The Great Moderation"¹⁰

Energy

Energy costs are another area that has received a lot of attention from advisory bodies. However, an increased price for carbon could provide an important revenue source to offset reductions in employer costs. Moreover, an increase in energy costs due to carbon taxation would create incentives for resource-efficient innovation, i.e., encouraging businesses to switch to low-carbon energy sources and/or reduced energy consumption and non fossil fertilizers and other products.

A permanent shift to a low-carbon economy is necessary to meet carbon emission reduction targets. Low oil and gas prices due to low aggregate demand, provide no incentive to make this transition. Higher fossil energy costs due to a cap on carbon emissions will create strong incentives for transition to renewable energy. Current low fossil energy costs foster this change with minimal disruption. The increased costs to business can be balanced by reductions of

¹⁰ Keen, Steve, *ibid* (Page 45)

other costs, such as employment taxes. Industry-specific mitigation measures should be avoided.

Property Costs

Despite the rapid fall in property prices, the costs of property purchase and rental continues to be a significant burden on Irish-based businesses. Legislation should provide for reduction of rents under existing leases to market value. The extension of Site Value Taxation to include commercial property will ensure that unused and underused commercial properties enter the market, exerting a downward pressure on property prices and preventing another unsustainable bubble. It will also enable for more efficient effective land use and planning. Site Value Taxation should be expedited immediately and extended to include commercially zoned land as soon as feasible.

Infrastructure

Costs

Education/Training

Increasing the competitiveness of Irish-based firms requires

Debt

Expenditure and Taxation

Sustainability of Public Finances

Raising Revenue

Cutting Expenditure

Reforming Public Sector

Prioritising Capital Expenditure