

Securing Prosperity and Jobs

The Foundations

Fianna Fáil in government has led the transformation of Ireland's economy. We have moved from being a high-unemployment, high-tax and low public investment country to having the lowest unemployment, lowest taxes on workers and highest rate of public investment in Europe.

We reject the shallow ideologies of right and left, believing that a strong economy, the promotion of individual enterprise and increasing investment in public services are fundamentally-linked objectives. The record of the last ten years shows that this approach works:

- Unemployment has been reduced to an historic low, with long-term unemployment now at only 1.3%.
- A systematic programme of income tax cuts has been implemented, reducing the top rate from 48% to 41% and the lower rate from 26% to 20%.
- Investment in public services has been step-changed, with dramatic increases in the State Pension, child benefit and the numbers of teachers, Gardai, doctors and nurses at work.
- Investment in public infrastructure has been set at the highest level in Europe as a percentage of national income.
- A fund now totalling €19 billion has been created to ensure that we can continue to pay decent pensions in the years ahead.

All of this has been achieved while delivering budget surpluses in eight of the last nine years. Today a full €1 billion a year less is paid in debt interest than in 1997 – money which is supporting a sustained level of higher investment in public services.

In government, Fianna Fail will continue to implement policies that deliver sustainable expansion allowing Ireland to exploit the opportunities presented in good times and to withstand pressure during times of international economic weakness.

Fianna Fáil will always put responsibility first. All the commitments made in our manifesto are dependant on our country's continuing prosperity, something which we will never put at risk. The long-term interests of Ireland are our priority and will never be sacrificed for short-term gain.

Our programme of taxation and spending commitments is costed, affordable and sustainable. We will deliver it and the following budgetary outturns:

- A budget surplus each year
- A declining Government Debt burden each year
- A net debt of less than 3% of GDP by the end of the Government's term of office.

A sound economy is the bedrock of social progress. It is an absolute prerequisite for all our ambitions – in health, enterprise, welfare or education. To that end, Fianna Fáil in Government will defend prosperity with unrivalled determination. The consequences of that determination are clear; if Ireland ever faces into a global economic downturn we will act prudently as before. We will deliver this country through any downturn with healthy fundamentals intact – that is, to maintain the lowest unemployment, lowest taxes and highest growth in Europe.

The Next Steps Forward for Finance & the Economy

Sound budgetary management is essential if Ireland is to continue enjoying low taxes and high levels of spending on public goods and services. All of our proposals for the next five years have been framed within the context of a very clear set of assumptions which show exactly how we will approach fiscal and economic decisions over a full term of government.

Our programme will involve us taxing, spending and borrowing less than the opposition – but while we are promising less, we will deliver more.

Economic Principles

Long-term responsibility is the foundation on which our economic policy is built. We will not mortgage our country's future for short-term gain. Our economic policy must accept the reality that we cannot and should not compete on the basis of low wages. If we are to compete effectively and in a sustainable way, we will have to do so through even greater competitiveness in knowledge-driven industries. This is the best and only serious guarantee of high employment and high wages.

Our guiding economic principles for the next five years are:

- We will aim to achieve further significant, sustainable growth with our programme based on an average growth rate of 4.5%
- We will control government spending growth. Including the delivery of our spending commitments and the National Development Plan, we will increase public spending by just over 7% per annum, its long-term sustainable growth rate.
- We will operate a responsible fiscal policy characterised by budget surpluses and a declining debt burden. Ireland's net debt will be reduced to less than 3% of GDP under our plan by 2012.

- We will deliver the National Development Plan in full, on time and within budget to raise our productivity, to enhance our competitiveness and to secure our future prosperity.
- We will invest in increasing the productive capacity of the economy, particularly in terms of ensuring high-levels of high-quality employment.

Budgetary Policy

Sound budgetary management is essential if Ireland is to continue enjoying low taxes and high levels of spending on public goods and services. Our guiding principles for fiscal policy for the next five years are to:

- Keep the budget in broad balance and fully within our commitments under the Stability & Growth Pact
- Retain the flexibility to deal with any future shocks
- Set aside a minimum of 1% of GNP per annum to provide for the future pensions of today's workers
- Implement a series of significant and sustainable increases in key public services such as pensions, health, justice and schools
- Keep the overall tax burden low and implement further reforms to enhance the rewards of work while increasing the fairness of the tax system

Building the Public Wealth

Once our current prosperity is safeguarded, policy must seek to build for the future by raising our productive capacity and in so doing improve our potential to enjoy a better quality of life. That is the context in which the new National Development Plan was framed. With a total cost of €184 billion over 7 years, the Plan involves a major acceleration of Government Capital Investment.

The period to 2013 presents a window of opportunity in resource terms to tackle, in particular, our infrastructure deficits before other expenditure pressures begin to emerge. Clearly, we now have a unique opportunity to give Ireland the infrastructure it needs and deserves if we are to secure our current prosperity into the future while simultaneously enhancing quality of life. We must not allow that opportunity to pass us by.

Fianna Fail believes that the full implementation of the NDP must be the first priority of the next administration and should take precedence over short-termist promises or gestures. The NDP will make our economy and our society stronger and will substantially increase the probability that our good fortune will benefit future generations. It will protect and sustain our prosperity, not threaten it.

Ireland is now an income-rich country. However, we are still poor in terms of our public wealth due to decades of under-investment in infrastructure.

- To correct this imbalance, Fianna Fail in government has committed to investing 5.4% of GNP in public infrastructure through the NDP
- This will be implemented through a coordinated, multi-annual programme which is subject to rigorous value for money and quality oversight

Through sound management of the economy, Fianna Fail will ensure that this resource commitment is maintained over the lifetime of the next government. Closing the infrastructure gap as expeditiously as possible has significant benefits and will enhance quality of life and economic competitiveness for generations to come. We will deliver the public infrastructure which this country needs if it is to sustain and consolidate the gains of the past decade.

Competitiveness and Innovation

Ireland's future prosperity is critically dependent on our ability to trade with the world. Fianna Fail will underpin Ireland's success as a highly-productive, trading nation by the following measures:

- Through the National Development Plan, we will invest over €8.2 billion in Science, Technology and Innovation. This includes almost €1.3 billion to be invested in the enterprise aspect of the Science, Technology and Innovation strategy to transform the type of R&D and innovation taking place across our enterprise sector.
- Our ongoing investment in education and training will ensure that our workforce is equipped with the necessary skills to enhance our productivity and competitiveness
- Under Transport 21, our national infrastructure will be overhauled and upgraded with positive consequences for business costs, national competitiveness and productivity.
- On return to office, we will instigate a review of the entire economic regulatory environment. This review will be designed to ensure that the existing regulatory regime is operating efficiently in support of public policy, is balancing the needs of users with the requirements of producers and is not imposing excessive costs on the economy.

- Developing indigenous food and energy sectors through investment in research and development to support the rural economy.
- Recognising the importance of small business to our economy, Fianna Fail will continue to support and enhance the Business Expansion and Seed Capital Schemes.
- We recognise the vital role played by low taxes in our economic success. We will guarantee that the 12.5% rate of corporation tax will not be changed.
- We will resolutely oppose any attempt to introduce tax harmonisation within the European Union, either directly or through technical measures.

Under Fianna Fail, Ireland's dynamic and flexible economy will continue to be one of the most attractive locations in the world to invest, to employ and to do business in.

A Fair Tax System

We have overhauled the taxation system over the past ten years through dramatic and sustainable cuts in rates and increases in tax credits.

However further progress can be made in making the system even fairer. Subject to the controlling economic and fiscal framework, Fianna Fáil in government will implement the following specific approach to tax:

- Our first priority remains low and middle income earners – therefore our first task will be to use tax credits and bands to keep low income earners out of the standard rate band and average earners out of the higher band. We are committed to increasing tax bands and the personal and employee tax credits by the average increase in wages each year.

- PRSI, as currently devised, is not a fair tax as it is not levied on incomes above €48,800. Consequently, it is most lightly borne by those on the highest incomes. To eliminate this inequity, Fianna Fail will abolish the PRSI ceiling for full rate payers and reduce the rate at which this tax is levied from 4% to 2% over the lifetime of the next administration. We will also reduce the rate of PRSI paid by the self employed to 2% from 3%. These moves will eliminate remaining inequality in the income tax system and enhance its progressive nature. The Social Insurance Fund will be reimbursed by the Exchequer for the cost of this reform.
- We will double the Home Carer Tax Credit to support spouses who work in the home caring for children, the aged and the disabled.
- Once these commitments are met, any additional resources will be targeted at further enhancing the rewards of work. Specifically, we are committed to reducing the standard rate of income tax to 18% and the higher rate of income tax to 40% over the lifetime of the next government if economic resources allow.
- We will introduce measures to further weight VRT in favour of cars with lower emissions.
- Our income tax reforms will cost €4.2 billion in net terms in 2012. This is equivalent to an annual net budget day package of €844 million and represents a continuation of the programme of tax reform which Fianna Fail has been implementing in office since 1997. The net cost of the income tax package in Budget 2007 was €875 million.

Economic and Fiscal Framework

We believe that our spending and taxation commitments are the right policies for Ireland. They are also sustainable and will be delivered, in a strong economic environment, alongside responsible budgetary outturns. The following conservative assumptions underpin our economic and fiscal framework:

- Average economic growth of 4.5% per year in real terms
- Average economic growth of 7% per year in nominal terms
- Average earnings growth of 4.5% per year
- Employment growth of 2.5% per year
- Average increase in base current expenditure of 6% per year
- Average rate of return on the National Pensions Reserve Fund of 7% per annum
- Costings based on Department of Finance data

Our policies of targeted spending increases and tax reforms are fully affordable against this economic backdrop. Our detailed economic and fiscal framework which we are publishing in full shows that we can deliver the National Development Plan, deliver on our spending and taxation policies and return an excellent, responsible budget performance. Specifically:

- We will return an average budget surplus of 0.5% of GDP over the 2007-2012 period
- The General Government Debt will decline to 18.5% of GDP by 2012
- The net debt will be reduced to less than 3% of GDP by 2012

Economic & Budgetary Framework 2007-2012

Receipts and Expenditure - Current	2007	2008	2009	2010	2011	2012
Receipts						
Tax Revenue	49,170	52,956	57,034	61,425	66,155	71,249
Non-Tax Revenue	565	594	612	630	650	675
Total	49,735	53,550	57,646	62,055	66,805	71,924
Expenditure						
Net Voted	37,277	39,513	41,884	44,397	47,061	49,885
Non-Voted	4,425	4,406	4,609	4,841	5,082	5,330
Total	41,702	43,919	46,493	49,238	52,143	55,215
Current Budget Balance	8,033	9,631	11,153	12,817	14,662	16,709
Receipts and Expenditure - Capital						
Receipts	1,483	1,477	1,513	1,456	1,470	1,510
Expenditure						
Net Voted	7,548	8,537	8,954	9,059	9,187	10,573
Non-Voted	2,552	2,662	2,784	2,915	3,054	3,204
Total	10,100	11,199	11,737	11,973	12,242	13,777
Capital Account Balance	-8,617	-9,722	-10,224	-10,517	-10,772	-12,267
Exchequer Balance before Manifesto	-584	-91	928	2,300	3,891	4,442
Manifesto Net Spending Commitments	0	888	1,333	1,788	2,313	2,875
Manifesto Net Taxation Commitments - Indexation	0	280	683	1,124	1,632	2,224
Manifesto Net Taxation Commitments - Reforms	0	841	1,148	1,591	1,853	1,996
Exchequer Balance	-584	-2,100	-2,235	-2,202	-1,907	-2,652
Adjustment to reach GGB	2,822	3,342	2,766	2,867	2,984	3,077
General Government Balance	2,238	1,242	531	665	1,077	425
GGB/GDP	1.2%	0.6%	0.2%	0.3%	0.4%	0.2%
General Government Debt/GDP	22.8%	21.6%	20.8%	20.0%	19.1%	18.5%
NPRF/GDP	11.4%	12.3%	13.1%	14.0%	14.8%	15.7%
Net Debt/GDP	11.4%	9.3%	7.7%	6.0%	4.3%	2.9%

Net Spending Commitments above NDP	2008	2009	2010	2011	2012
<i>Pensions to at least €300 per annum*</i>	76.1	162.7	266.0	381.9	512.6
<i>ODA to 0.7% of GNP*</i>	77.2	164.4	264.5	378.3	511.5
<i>4,000 Teachers</i>	42.0	87.8	133.0	177.3	200.3
<i>2,000 Gardai</i>	48.4	63.2	79.3	106.4	135.8
<i>Double Primary School Capitation*</i>	7.6	16.7	27.7	40.8	56.5
<i>Personal pensions for spouses in their own right*</i>	16.1	33.6	52.7	73.5	96.0
<i>Increase number of child psychologists in NEPS to 200</i>	0.6	1.2	1.9	2.6	3.6
<i>Extending GP Services</i>	15.0	15.9	16.9	17.9	18.9
<i>2000 Hospital Consultants</i>	70.0	148.4	236.0	333.5	441.9
<i>500 New Public Hospital beds (1500 in total)</i>	92.5	129.9	171.3	217.4	268.3
<i>Local injury clinics</i>	9.6	11.9	14.4	17.2	20.2
<i>Children - 3 months before NTPF</i>	5.0	5.3	5.6	6.0	6.3
<i>Personal Health Check</i>	70.0	111.5	118.2	125.3	132.8
<i>Other Community</i>	30.0	30.0	30.0	30.0	30.0
<i>Other Education</i>	34.4	35.9	28.5	30.3	32.1
<i>Other Foreign Affairs</i>	6.9	3.9	6.5	9.4	13.1
<i>Other Social & Family Affairs</i>	27.3	50.3	75.9	105.5	139.8
<i>Other Arts, Sport & Tourism</i>	9.5	10.1	9.6	10.1	5.0
<i>General Contingency / Other Measures</i>	250.0	250.0	250.0	250.0	250.0
Total Net Expenditure Increase	888.1	1,332.7	1,788.0	2,313.2	2,874.7

Note: * refers to cost of proposals above increase in base

Taxation Commitments	2008	2009	2010	2011	2012
<u><i>Indexation</i></u>					
<i>Index Bands, PAYE and Personal Credits</i>	400	975	1,605	2,331	3,177
<i>Net Cost of Indexation</i>	280	683	1,124	1,632	2,224
<u><i>Tax Reforms</i></u>					
<i>Abolish PRSI Ceiling</i>	-270	-318	-342	-369	-397
<i>Halve A Rate PRSI</i>	660	775	835	899	969
<i>Reduce Self-Employed PRSI to 2%</i>	202	237	255	275	296
<i>Marginal Cut</i>	155	255	275	296	319
<i>Standard Cut</i>	410	620	1,175	1,465	1,578
<i>Home Carer Credit</i>	45	70	75	81	87
<i>Gross Total Tax Reforms</i>	1,201	1,640	2,273	2,647	2,851
<i>Net Total Tax Reforms</i>	841	1,148	1,591	1,853	1,996
<i>Annual Net Package Tax Indexation and Reforms</i>	1,121	709	884	770	735
<i>Net Total Indexation and Reforms</i>	1,121	1,830	2,714	3,485	4,220

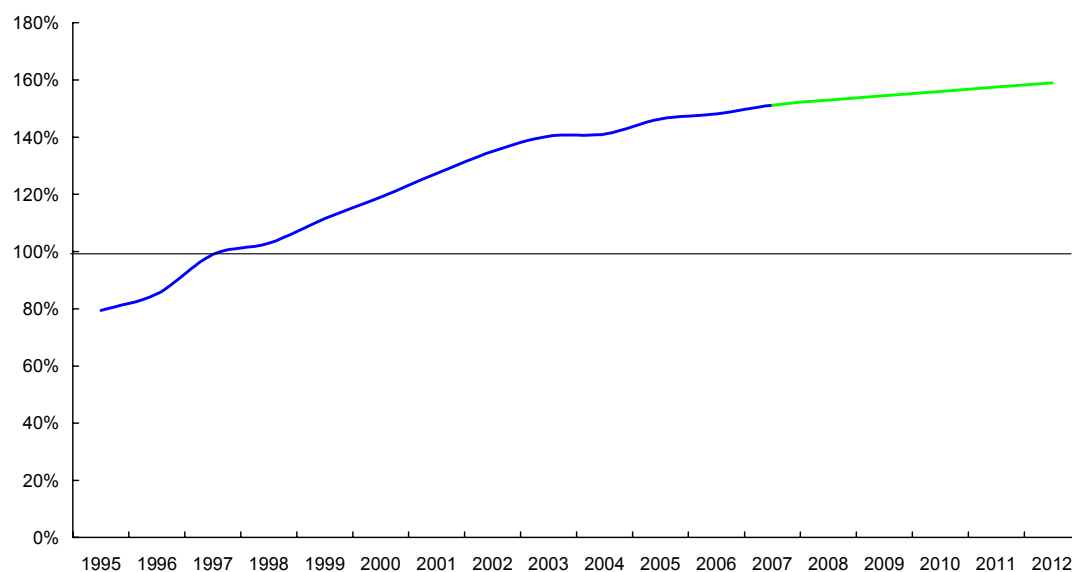
Conclusion

If returned to office, Fianna Fail will:

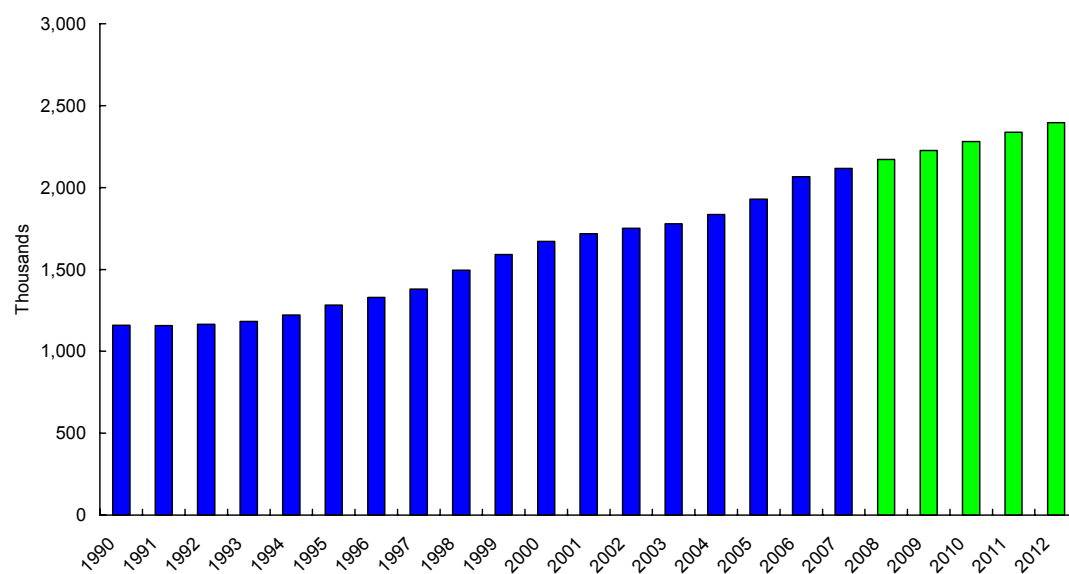
- Deliver the National Development Plan in full, on time and within budget
- Continue to improve public services sustainably
- Reform taxes to reward work in a way that is fair
- Reduce Ireland's debt

Our policies will underpin our competitiveness, strengthen our economy and position Ireland for its next phase of development. They will secure the gains already made and use them as a base on which we can build for the future. They are the Next Steps Forward for our economy.

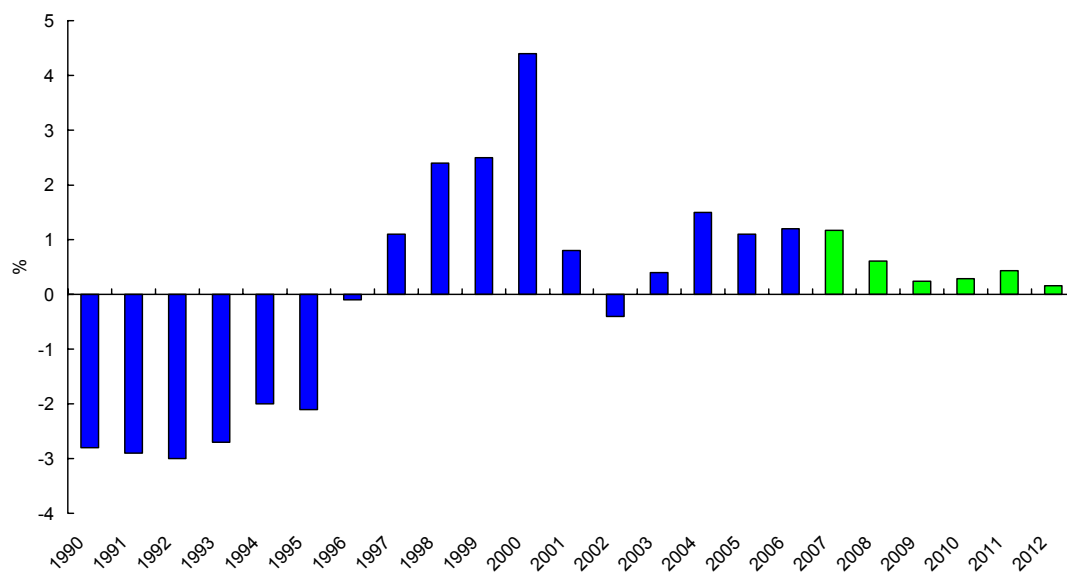
Irish GDP per capita to EU15 GDP per capita



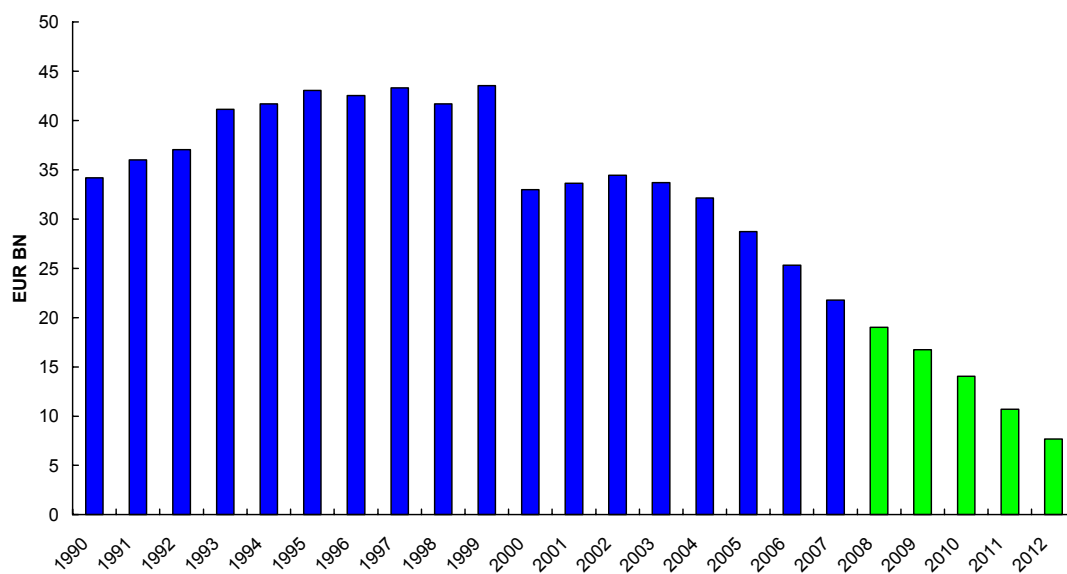
Total Numbers at Work



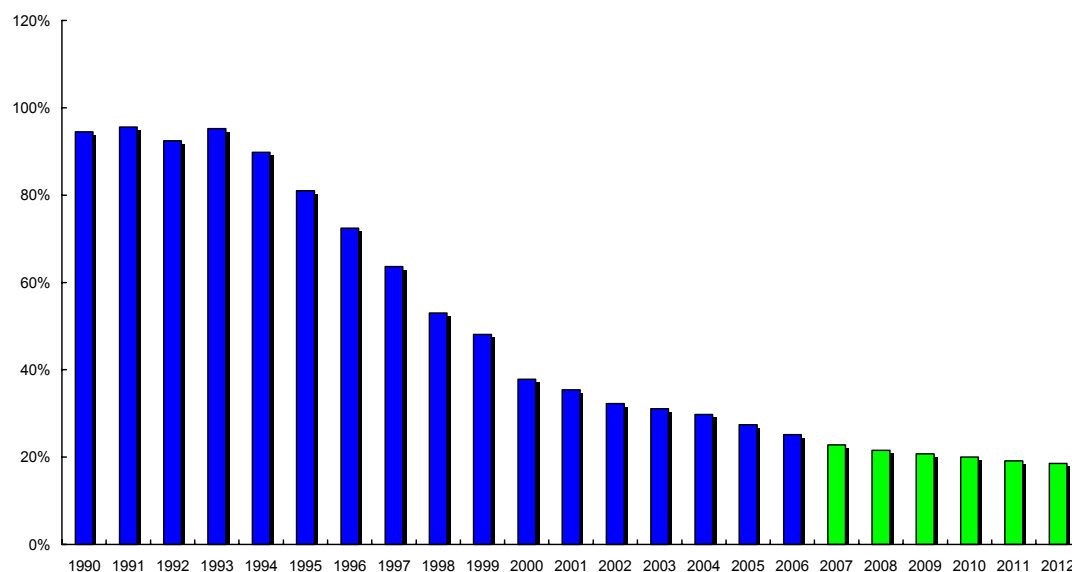
General Government Balance/GDP



Net General Government Debt



General Government Debt/GDP



Debt Service per Worker (2006 Prices)

