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Covid response should be the model for tackling the cost of living crisis

Exchequer has the money to fund simple, direct measures to help every citizen cope with the cost of living crisis

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Surging gas and electricity prices are the driving forces behind recent inflation and the public will need help this winter. Photograph: iStock

**Stephen Collins**  
Fri Sep 02 2022 - 05:00

The budget later this month presents the Government with the massive challenge of how to deal with the cost of living crisis. But it also represents an opportunity for the Coalition parties to demonstrate that they are prepared to do whatever it takes to cushion the people of the country from the worst ravages of inflation.

The most damaging criticism of this Government is that it is out of touch with the concerns of ordinary people. This line of attack, promoted by the Coalition's opponents inside and outside the Dáil, has gained wide traction in spite of a lot of evidence to the contrary.

The cost-of-living crisis represents an opportunity for the Government to debunk this notion but it will need to come up with a range of substantial and imaginative measures to convince a majority of people that it really appreciates the scale of the problems they will face in the winter ahead.

The response to the Covid emergency in 2020 was decisive and bold in terms of the early lockdown and the allocation of massive resources to help people and businesses in all sectors of society to survive the hardships that were inevitably going to arise. Similarly decisive action is required now.

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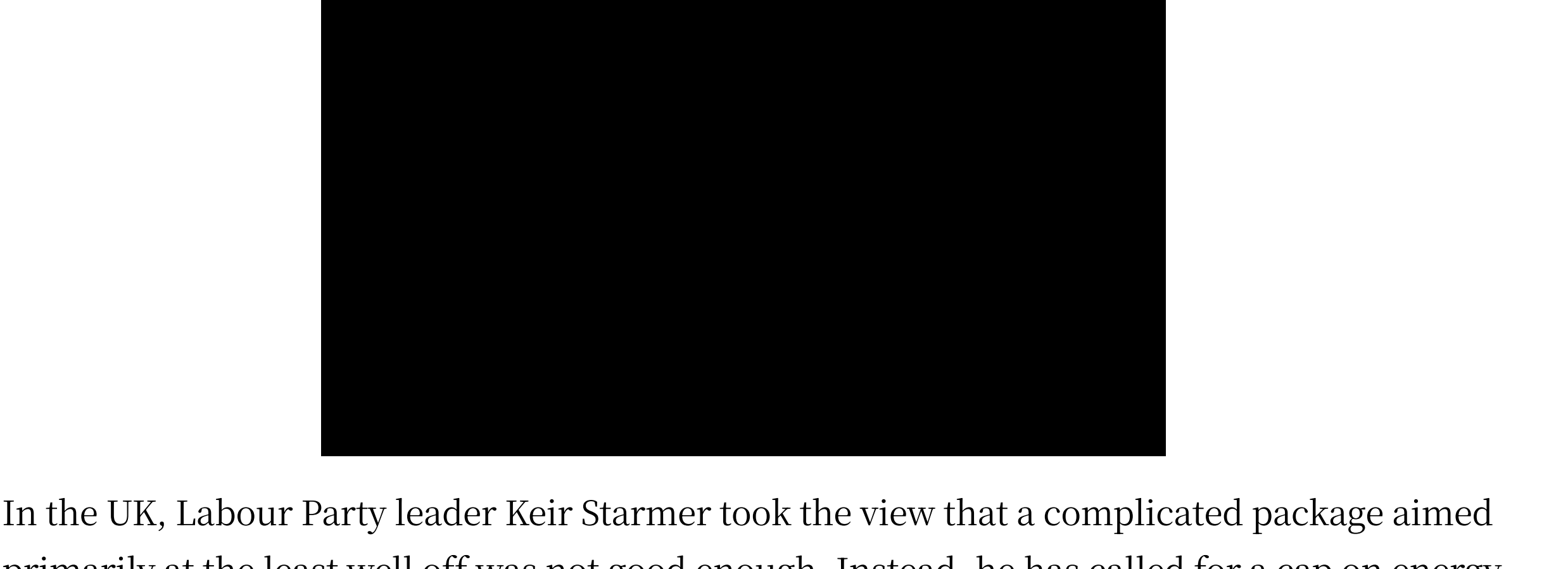
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*The lesson of Covid is that an emergency requires an emergency response, and the current cost of living crisis needs to be approached in that frame of mind*

The generous response of the State to the Covid crisis did not create the massive hole in the public finances that was so widely forecast. The wide-ranging supports helped the economy bounce back more strongly than most other EU states from the lockdown and the resulting strong economic growth and rising tax revenues resulted in a far smaller deficit than had been forecast. The lesson of Covid is that an emergency requires an emergency response, and the current cost of living crisis needs to be approached in that frame of mind.

The Fiscal Advisory Council and most economic experts are advocating a tapered approach to the current crisis to protect the most vulnerable from the impact of cost of living increases. That is fine as far as it goes but a far bolder approach involving a range of simple and direct measures to help to every citizen cope with the difficulties ahead will be required.



In the UK, Labour Party leader Keir Starmer took the view that a complicated package aimed primarily at the least well off was not good enough. Instead, he has called for a cap on energy prices that would benefit everybody. Opinion polls have shown strong support for that approach, despite criticism that it would benefit the rich as well as the poor.

While special measures to help the most vulnerable should certainly be a key part of the budgetary package, eye-catching, across-the-board measures will be needed to ensure that the wider public get the message that the Government has taken their concerns to heart.

High tax receipts

A key part of the budget will be the nature and scale of the supports to help people cope with the expected massive rise in their gas and electricity bills through the coming winter. The Government starts with the advantage that the exchequer is currently bulging thanks to the unexpectedly high tax receipts being paid by the large multinational companies based in this country.

For a number of years now, the Department of Finance has insisted that the surge in corporation tax revenue is an exceptional item and cannot be relied on in future years. Yet the revenue from the sector continues to rise dramatically from one year to the next, boosting exchequer returns to an unexpected degree.

*The Government has allocated €2.4 billion this year to help people cope with the cost of living increases but has got little or no credit for it*

It would make economic and political sense to spend a good chunk of that revenue in the coming months to deal with the cost of living crisis. Doing so would not only help people through the tough winter to come but, with public servants currently balloting on a new pay deal, it might encourage the pay moderation that is essential to keep inflation from running wild. It would also help if the large profits now being reaped by the energy companies were tapped by windfall taxes and transferred to consumers.

Ministers also need to realise that no matter how generous the level of supports they announce on budget day, the public will not be convinced that enough is being done unless it is explained in a clear and coherent fashion. To date, the Government has allocated €2.4 billion this year to help people cope with the cost of living increases but has got little or no credit for it.

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For instance, how many people are aware that they got €200 off their electricity bills from April to June? Because so many now pay their utility bills by direct debit, many are blithely unaware of the fact that they have already received a direct subsidy on their bills.

Whatever is agreed in the budget, ministers will need to put far more effort and flair into selling the measures to the public than they have demonstrated to date. Aside from the obvious political imperative of getting some credit for tackling the crisis head on, public support will be vital if the country is to escape a damaging winter of discontent.

[Cost of Living](#) [Covid-19](#) [European Union](#) [Keir Starmer](#) [Department of Finance](#)

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