

Can we achieve

GROWTH?

an address given to
The Irish Management Institute,
Killarney, 1976

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I would like to thank the Irish Management Institute for their invitation to be here, not just because at a time of rapid inflation an invitation to a free luncheon is always welcome, but because I know the high seriousness which gave rise to these functions and which animates your discussion throughout their duration.

In a democratic society free and open exchange of views is essential if decisions are to be taken on the basis of what is actually said rather than on what people think is said. Your lunchtime meetings are an aid in securing greater face to face confrontation between those involved in the decision making process, incorporating both the public and the private sector, and for that reason I accepted your invitation with alacrity.

I don't regard this function as a proselytising opportunity but simply as an occasion for stating a number of views which hold wide currency within the Labour Movement so that you may hear them as they are and so that, in return, I may hear your responses, critical or otherwise, probably otherwise.

For the last year I have concentrated on drawing public attention to the serious and, I believe, unique employment problems that we currently face as a people. Previously, as General Secretary of the Labour Party, I had regarded myself as a quasi-civil servant and rarely, if ever, expressed a personal as distinct from a party viewpoint on any matter of public concern.

But I had decided to seek a nomination in the following General Election and to resign as General Secretary – so last March, I began what I anticipated would be a slow transformation from a private to a public political role.

However, the fates decreed that my entry into Dáil Éireann would be rather quicker than foreseen and as a result my personal contribution to this debate may appear a little more precipitate, and raucous, than originally intended.

That's by way of background explanation of my personal involvement.

The Employment Situation

By way of a broader background explanation I must begin by stating that I have always been struck by the abnormalities of Irish society, which seem to be widely accepted as normal.

I think it highly abnormal that the two persistent long-term characteristics of the Irish economy have been continuous emigration and a standing army of unemployed – way beyond the comparable norm in other European economies. Many people accept this as normal – I don't. At this moment, there are over one million native born Irish in the United Kingdom, in addition to the hundreds of thousands elsewhere in the English-speaking world.

This is indicative of a rate of emigration without parallel elsewhere. At the same time, unemployment has escalated, prior to the current world crisis, to between 60,000 and 80,000 even in times of boom conditions in the world economy.

The normal dynamic within private enterprise economies seems to be missing in Ireland. Essentially, the industrial and service sectors have failed to grow sufficiently to absorb both the natural increase in population and the draft from agriculture, which has occurred in every industrialising economy.

The difference between the growth in the labour market and the growth in non-agriculture jobs has either been exported through the process of emigration or maintained at home in the form of a standing army of unemployment which would not, and was not, tolerated elsewhere.

Nobody, and particularly business, should delude themselves that it was ever any different. Not even during the sixties, when G.N.P. grew at the historic high of 4% per annum, did we manage to approach full employment conditions.

The one remarkable statistic about that decade, so lovingly remembered by propagandists of different hues, is this. The total number employed in the economy was the same at the end of the

decade as it was at the beginning – just over 1.05 million. 155,000 emigrated during that time and unemployment averaged 75,000.

G.N.P. increased by 50% and so did our standard of living, or more accurately, it did for those who had a living and a job in Ireland. So when I ask the question “can we achieve growth?” I do not mean can we achieve growth in G.N.P., output, profits, or exports in isolation from employment. I mean can we achieve growth in these variables so as to produce full employment?

In a mass democracy, the system must fulfil certain basic social goals, the two most fundamental of which are, freedom for the individual and provision of the means to enjoy that freedom. Formal freedom, as distinct from substantive freedom, is a sham and a hypocrisy.

There is no point in telling an unemployed man he is free to dine each evening in the Shelbourne. A medieval philosopher once said, don't give a hungry man philosophy – give him bread.

New Population Growth

So by growth, I mean growth in employment, which I put as the primary economic, social and political objective in a free society – not profit, productivity, output, exports, GNP or any other variable which economists measure to employ their time.

If the past situation remained relatively unchanged regarding the growth in labour supply, then we would have a problem which conceivably could be solved by conventional methods within the context of the social market economy.

But the population patterns have changed – in two dramatic ways that heighten the problems and create political dangers for the democratic system itself.

We now know, through the publication of the NESG, incorporating and based on Professor Brendan Walsh's population projections for the period 1970-1986, that we have what is probably the fastest growing population in Europe.

We are becoming demographically normal, but with a vengeance. The increase in the labour market supply is about twice the past rate.

At the same time, the traditional safety valve of emigration has been shut off, for what precise reasons we do not know, but shut off it is, and in fact we now seem to have immigration.

The job requirements of the new situation have been widely accepted as between 25,000 and 30,000 net new jobs each year, every year. These targets are accepted by the Government and were described by the Minister for Finance as a massive challenge.

They are more than that. They are self-evidently beyond the capacity of past and present policies centred on the IDA and based on the encouragement of private enterprise development.

In the period 1972-1973, when the Irish economy grew at rates never previously experienced, helped on by world boom conditions, we could only add about 12,000 to 13,000 new jobs to the labour force.

In other words, our best past performance is only half our future requirements. To me this is the terrifying dimension of a problem to which we have got to get some answers – soon.

Saving/Investment

The central part of the solution must be a massive increase in the rate of saving. We must double our rate of capital formation. Economically this means that our rate of consumption must be kept below the rate of increase in national income.

In a centrally planned economy, that is one without democracy, the planners can determine the rate of investment required to meet politically determined goals, and have a wide latitude in ensuring that it is achieved.

On the other hand, in a democracy, the rate of personal or private consumption is independently determined and investment is a residual. So the

political question becomes this: how do we persuade – and persuasion is the only means we have, not coercion and not legislation – the population at large to accept a slower increase in their standard of living than they otherwise could enjoy?

In particular how do we get trade union co-operation in accepting moderation in income increases? They are told that such moderation, leading to greater competitiveness, will generate more profits, which will be retained and invested, so increasing employment.

There are two problems here. Firstly, the purpose of business is to make money, not to provide work. That is not a criticism, it is a fact. Secondly, the trade unions know this and are not convinced that the process of the social market economy works in the way you say it does, i.e. more profits equals more jobs.

There is no point in preaching moderation to those who believe their current standard of living is already moderate enough, or preaching it to those who do not see any correlation between the rate of saving and the rate of unemployment in their community.

The snag is this. If savings are to be made, it is you who will do the saving, as a result of other people's decisions and you who will do the investing without any consultation with those who have enabled the saving to be done.

There is only one way out of this impasse, and it is not a pleasant one for business. I do not deny this.

We must institutionalise the savings, profits, investment, and employment, process so that more savings do mean more jobs and so that we then get even more savings on the basis of free consent.

This could be done by changing the ownership and management structures of companies to involve employees as shareholders and as full participants in the management process.

If this is not done, I do not foresee any possibility of the existing structures generating

the growth we require. I foresee continuing high unemployment and all the social chaos that could ensue.

National Economic Conference

At the same time I believe we should transform the Employer Labour Conference into a National Economic conference involving the Government as Government, not just as an employer, and also involving farmer organisations.

On the agenda of this Conference should be incomes, taxation, social expenditure, profits, investment, employment and prices.

All of these variables are now so interdependent that they cannot be separated and the ridiculous spectacle of the Budget introduced as being conditional on the outcome of the Employer Labour Talks.

The annual Budget should be the outcome of the National Economic Conference decisions and should set a firm context inside which all business decisions can be made with certainty for the year ahead.

Long Range Planning

Simultaneously we should introduce effective long range planning not the polite programming version of the sixties, but true planning in which the State would accept its responsibilities as economic manager and innovator, with employment as the overriding national priority.

I have proposed the establishment of a Planning Commission, analogous to the Commissariat du Plan in France, to devise and oversee the plan. It would be independent of the Department of Finance and responsible directly to the Taoiseach.

Without planning, which most of you employ in your companies, we will not get agreed national objectives, qualification of our employment problems, an analysis of the inputs needed to meet the employment objects.

And we will not get the consensus which is essential to sustain decisions, which, while being necessary, would otherwise be unpopular and perhaps unacceptable.

Again, I do not deny this would involve a change in the relationship between the State and private enterprise. But I am not advocating the demise of the present system by trying to build a Stalinist Trojan horse on the quiet.

I am advocating a new balance between the public and private sector because, in my view, the private sector, on its own, cannot meet our present and future job requirements.

Planning is essential for full employment. It will not be palatable medicine for some – but no matter how objectionable medicine may be it is infinitely preferable to the death of the patient.

Other Measures

Finally, Mr. Chairman, I think we should do a number of other things which cannot be expanded upon here, no matter how controversial they may be.

Briefly, enumerated they are:

- The establishment of a State Development Corporation.
- The expansion of the State Sector especially in manufacturing industry.
- The reform of the public service, which I regard as a real obstacle to growth in its present form.

The release of our currency from the terrible inflation effects directly produced by the fixed exchange rate with sterling.

Conclusion

I do not claim that anything I have proposed will of itself, or taken in conjunction with the other measures I have mentioned, produce full employment.

To do so would be arrogant and stupid. I hope, however, that they represent a contribution from the left that may have some relevance to a problem which must be solved lest solutions are sought outside the democratic system.

In this we have a mutuality of interest, if not an identity of purpose. It is neither in your interest or the interest of the Labour Movement that democracy should fail to deliver the goods in terms of jobs.

That is why we should all be honest in facing the failures of the past and the reality of future requirements. That is why we must ask, and ask again, "can we achieve growth?"

That is why we must continue to explore and evaluate every proposition that is put forward by way of an answer.

On that basis, I place my contribution in your care with complete trust.

- Ends -

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