

Proposals on Planning Development and Reform



Delivered to Dublin/Clontarf Constituency Council
of the Labour Party 18th March 1976

by Senator Brendan Halligan
General Secretary of the Labour Party

PROPOSALS ON PLANNING DEVELOPMENT & REFORM

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Introduction

We have just entered the first year of the last quarter of this century. It will be a quarter very unlike the previous three and very different from the last two of the nineteenth century in one essential aspect: Ireland will cease to be the demographic oddity of the world.

The continuous population decline that has been the most remarkable feature of our society will not only have been arrested, but will be reversed. For the first time since the Famine, Ireland will experience a rapid growth in population.

Based on current trends, the Irish population will grow more rapidly than the European average. This will be for us a completely new experience and it will bring new problems of great complexity for which we are as yet unprepared.

Population forecasts are notoriously unreliable, their main limitation being the assumption that past trends will be maintained. The demographer is not a behavioural scientist and cannot be expected to anticipate change, but he should be alive to change and should warn us when it happens.

Certain fundamental changes in social patterns and behaviour have been taking place over the past decade. These include the virtual halt in emigration, the drop in the marriage age, the accompanying rise in the marriage rate, the increasing rate of female participation in the labour force and the rapid growth in urbanisation.

Past trends are not being maintained in Ireland. They are being changed, and changed at such a pace that few of us, as yet, are alive to the social and economic consequences of that change. But it would seem prudent, if we are aware in a general way of a transition from an old social pattern to a new one, to examine and to quantify the dimensions of the new trends.

Until very recently we did not have the data available to permit us to carry out this analysis and quantification. But we now have population projections for the period up to the mid-eighties. They were prepared by Professor Brendan Walsh of the E.S.R.I. for the National Economic and Social Council and published by the Council last year. They are frightening.

They confirm that if the new trends are maintained into the mid-eighties, the population increase will be substantial and the age structure very different from what it was in his base year of 1971.

I intend to use this study as the starting point of my observations, not because I believe the projections are correct to the second place of decimals, and not because I believe current social patterns to be immutable, but because I believe the order of magnitude is right in his conclusions and because I believe the social variables will be consistent with his assumptions.

I therefore take as a starting point his conclusion that, "Ireland's labour force growth potential significantly exceeds that of most EEC member states. Moreover, the growth potential of our non agriculture labour force is even more exceptional, due to the fact that the declining agricultural sector forms a larger proportion of the total labour force in Ireland than in any other EEC country".

Over the next decade he estimates the growth in the active population of all ages at 17% for Ireland. The percentage for roughly the same period of the other EEC countries is:

Netherlands 16.1%
Italy 11.3%
France 8.4%,
Belgium 6.6%
U.K. 3.2%
Denmark 2.8%
Western Germany 0.6%

So, with the exception of the Netherlands, our growth potential is significantly higher than our EEC partners. But this growth will be "very unevenly distributed by age group, the younger ages experiencing very rapid growth, the older ages experiencing a contraction". For every set of forecasts that Professor Walsh presents in his study, "The male and female labour force aged over 44 will decline up to 1986 but there will be a very rapid expansion in the younger labour force, amounting to over 2% annually for males. The total labour force (both sexes) is projected as rising over 1% a year".

So, in addition to a major change in the age distribution within the working population there will be an overall growth, fuelled in the aggregate by the rapid expansion in the younger age group. That growth is of a magnitude never previously experienced in this country and for which we are not at all prepared.

We are about to pay the social and economic costs of the heavy emigration during the fifties that resulted in a very unbalanced age structure in the national population.

Up to the present, this phenomenon has cushioned us from the necessity of providing constantly increasing jobs, homes, hospitals and schools and infrastructural services for a larger population. We have been able to coast along with a situation where the main cause of population change was internal migration, mainly from the farm to the factory, with an unplanned but uncanny correlation between the decrease in the agricultural labour force and the increase in the industrial and service labour force. Any surplus was siphoned off through emigration.

It was a system that we might characterise as one of static equilibrium – as against one of dynamic equilibrium – with which we are now confronted. We are already in the transition from the static to the dynamic and the increasing unemployed figures are a partial reflection of this generally undetected change. But so far we have done nothing to cope with this change. We had better begin pretty quickly.

One set of figures should suffice to hammer home the enormity of the problems ahead. During the period 1966–1971 the actual annual average growth rate in numbers at work outside family farming was 1%. Professor Walsh estimates that over the period 1971–1986, if we are to employ every young man and woman coming on to the labour market, the labour force will have to grow at an annual minimum of 2.1% and a maximum of 2.4%.

Putting it very crudely, we will have to double the number of new jobs each year outside farming, simply to take account of increasing numbers of entrants in the labour market and the depletion in the agricultural labour force but *not* taking industrial redundancies into account. The NESc in paragraph 13 of its published commentary on Professor Walsh's projections puts the employment picture in the following riveting terms:

“On the basis of his assumptions, Professor Walsh projects an increase of 200,000 from 1.1 million to 1.3 million in the number of men and women seeking work over the period from 1971 to 1986 – an annual average increase of 13,000 to 15,000. Professor Walsh estimated the possible loss in employment in family farming. He projected a continued downward trend in the family farm labour force, with the share of the total labour force declining from 21% in 1971 to under 11% in 1986. As a result of the assumptions relating to emigration, participation rates and the decline in numbers engaged in agriculture, he projected that the numbers seeking employment outside agriculture

would grow by 300,000 from 0.9 million to 1.2 million. When allowance is made for the reduction in unemployment from 7.3% in 1971 to 4% in 1986, the number of additional new jobs required during 1971 to 1986 could be in the range 300,000 to 340,000. This would require an annual average growth in total non-family farm employment of between 2.1% and 2.4% depending on the precise assumptions that are made.

However, even this underestimates the numbers for whom new jobs will have to be provided, because some existing employment will be lost through technical progress or changes in market conditions. At present, redundancies are occurring at a rate of about 5% annually of industrial employment. If it were assumed that the average redundancy rate between now and 1986 was only half this figure, the gross number of new jobs required could be of the order of 375,000 to 420,000 – or, over 25,000 a year”.

The most recent OECD report on Ireland, dated November 1975, made the first authoritative international comment as follows: ‘A study of population and employment trends by the National Economic and Social Council suggests that between 1976 and 1981 some 17,000 young persons may enter the job market annually. In addition, the Secretariat estimates that about 8,000 persons may move out of agriculture and 8,000 jobs may be lost in the traditional manufacturing industries. Thus, unless the pattern of migration is reversed, a total of around 25,000 new jobs may need to be created each year (over and above the recovery of employment from the present recession), a figure substantially higher than what was achieved in the past when real GNP was rising at an average rate of about 4½%. A similar rise in activity over the medium term would apparently not be enough to provide sufficient employment opportunities’.

This constitutes a pretty ominous conclusion.

But of course the picture is even grimmer, because we cannot confine the problems associated with a rising population to a phenomenally increased demand for employment.

There are equally daunting social implications which the NESC describes as follows in paragraph 17 & 18 of its commentary. And these observations are valid irrespective of the absolute accuracy of Professor Walsh's predictions. They cannot be dismissed on the grounds that other expert analysis of current demographic trends might conclude that Professor Walsh is 20% wrong. His order of magnitude is right and, in accepting that, this is what NESC observes:

"17. If the projections were realised, there would be important social implications. For example, the increase in the number of children could place particular strain on educational facilities, on top of demands arising from the increase in the school-leaving age and the effects of the numbers of adults engaged in training and re-training programmes. Changes in employment structure, from family farm to non-family farm employment, could result in increased urbanisation of the population. Investment in social infrastructure - houses, schools, and public utilities, could have to accord with new patterns of population location.

If the projections were realised the total dependency ratio would remain at a high level in the years up to 1986. The future size of the dependency ratio could, however, be influenced by what happens to the birth rate. Professor Walsh points out in his report that only a substantial fall in the birth rate could offer any prospect of a significant reduction in the dependency ratio over the next two decades. With a continuing high dependency ratio, social expenditure on education, health and other social services would have to be maintained at a high level".

So then, at the beginning of this fourth quarter we are at last face to face with the problems of demographic normality - a growing population. But the onset of the normal leads on to what is, for us, the abnormal. Instead of slouching along economically as we have, we will have to create new jobs at about twice the previous rate. How do we do this? The provision of an answer is, I believe, the most important central issue facing policy makers today.

The answer must be an immediate one. It must be capable of instant implementation and for that reason must take into account existing political and economic realities. There is absolutely no point in putting forward doctrinally pure solutions in circumstances where the majority will reject them. Pure doctrine may be emotionally satisfying but in the face of our problems it is not only a sterile approach, but a grievously dishonest one as well.

Socialist solutions will be neither publicly acceptable nor implemented. The requirement is solutions put forward by socialists, solutions that will meet the needs of the situation. We should direct arguments not at each other but at the electorate outside of the Labour Party. It is they who must be persuaded.

2. Why Existing Policies have failed

First, we must establish that a solution is needed and, secondly, that it does not reside in the mere continuation or extension of existing policies. There are many who, on hearing Professor Walsh's projections will say, "so what?" and many others who will believe that survival lies in "muddling on".

So we must examine existing policies, see if they can provide the jobs we require or, if not, if they can be adapted to do so. If the answer is

“no” in both cases then we must put forward alternative policies.

Let us begin with the basis of all scientific method – observation. When I claim that existing economic policy is incapable of providing the answers by producing the requisite number of jobs, I am not positing a principle held *a priori*, I am stating something demonstrably true.

Past and present economic policies have, in effect, depended on private enterprise as the main motor for economic growth. Initially, it was native private enterprise shielded behind a tariff wall expanding through a process of import substitution. Lately, it has been foreign private enterprise attracted by tax reliefs and investment aids geared to the export market.

The first stage of this policy was only marginally successful and, in any event, is no longer available or appropriate. The second and current stage is exhausted and insufficient. It is also highly expensive in terms of resources and questionable in terms of results, not least our growing dependence on foreign-controlled companies and the health of world trade, the latter a function of the economic effectiveness of foreign Governments. If we consider the maximum boom period in the Irish economy, from mid April 1972 to mid April 1974, the total non-agricultural labour force only grew by 12,000 to 13,000 per annum.

Even in the miracle year of 1973, when industrial output went up by 11%, employment in manufacturing industry went up by only 7,800 jobs. It is clear from these figures that even in the most favourable economic conditions current economic development policies are only half an answer to our problems.

Unless there is a radical departure from our existing total dependence on private enterprise in the direction of planning and in the use of the state sector, there will be unparalleled social chaos in the absence of emigration on the scale of the 1950s. At the moment, this safety valve

seems firmly closed. Unemployment in Britain is rising and will continue to rise. The US has new restrictive immigration laws and its own unemployment problems. The only possibility is a revived EEC, but then we do not know to what extent the linguistic barriers will act as a deterrent to emigration. But even in the medium term, an efflux to the continent is not on, with five million unemployed in the EEC.

These facts alone, and what I hope would be a universal rejection of the obscenity of emigration as an explicit or implicit solution, should compel us to accept not only the necessity for planning and the reorientation in priorities which it involves, but also the necessity for state enterprise.

Existing development policies are not geared to meet requirements in terms of jobs. The IDA is charged with getting new jobs in the hope that it will produce as many as possible, without the slightest idea of whether “as many possible” is the equivalent of, or approximates to, “the number required for full employment”.

There is no more than a blind hope that the IDA will produce a large number of jobs, that this growth will generate further employment and that this total increase in employment will be sufficient to meet job demand. It is unplanned and haphazard. Worse still it doesn't work.

Without being anyway critical of the IDA it is clear, particularly in a period when unemployment has risen spectacularly, that unplanned reliance on private enterprise failed and has no prospects of succeeding now or in the medium term.

3: Economic Planning

We need a third stage of our economic development process because the dimension

of the employment problem, as we have demonstrated, is way beyond the capacity of the present policy, mainly geared around the IDA and completely dependent on private enterprise.

We need a fundamental re-orientation of policy by resorting to economic planning and by accepting the legitimacy, indeed by asserting the necessity, of state enterprise. We need to take the State out of its supportive role where it has acted as a crutch for private enterprise and to place it firmly in the centre of the economic development process.

We need planning because we must quantify our employment requirements and take the necessary economic steps to satisfy them. We need state enterprise because we will fail if we exclude it from the development process.

Neither of these two proposals are likely to be accepted easily or willingly by the majority of the electorate, by the various economic pressure groups, or by the administrative establishment.

"We are all socialists nowadays," said Edward, Prince of Wales in 1895, which said as much for the plasticity of the socialist concept as for Edward's integrity. "We are all planners now," would seem to be the national consensus, provided one doesn't probe too deeply into what is meant by planning.

Fianna Fail criticises the Government because it hasn't got a plan. Fine Gael, through the Minister for Finance, is now committed to planning. The Labour Party has always been in favour of a planned economy. And even the CII and the IFA are looking for a plan, so why do I express such scepticism about the National Consensus? For the simple reason that "planning" means what everyone wants it to mean, and everybody means something different.

To the apologists of private enterprise it means the primacy of the private sector, with

a system of state support designed to achieve maximum growth in profits, with the social corollary, not as a primary objective but as a happy public relations spin-off, of increased employment. Planning in this sense is the creation of an environment protective of private enterprise and conducive to its growth. It is a means of eliminating business uncertainty to the greatest extent possible so that risk-taking is minimised and profits maximised. It is a system predicated on the profit motive.

It is this version that makes George Colley and the CII such earnest advocates of planning as a means of managing the economy. It is not a version that anybody in the Labour Party can or should accept. It is not really a version of planning at all, but a pale substitute more accurately described as "programming". We have not as yet really begun to come to grips with the meaning or consequences of planning. We are more caught up with George Colley's version.

There is no real philosophy of planning in this sense in Ireland. There is no understanding of its philosophical underpinnings, of its ethical drive, of its institutional requirements or the scale of political and economic change it would involve. Worse still, there has been no real debate. People are talking glibly of a process whose nature they have never analysed adequately and do not understand.

"Planning" has come to be a synonym for the economic cure-all without the realisation that it requires, in the very first instance, a philosophy of society fundamentally different to that which now dominates ours. Part of the reason is that the Irish Left, including the Trade Unions, has been regrettably short on analysis and ideology but strong on clichés and there has been no real debate. Nobody is asked to define what they mean by planning when they advance it as a policy mechanism. Nobody is asked because nobody is seeking real answers.

Let me try to offer the outline of an answer. If by “planning” we mean a more up to date, extended and glossier version of the Third Programme, then you can keep it. Current development policies centred on the IDA and based on the use of the State as the promoter of private enterprise – mostly foreign – will not meet the population needs of the future, any more than they are meeting them now.

But if by planning you mean the assertion of the positive, legitimate and necessary role of the State as economic manager and innovator, then I believe you are putting forward both the correct version of what is commonly understood elsewhere as planning and also the means for dealing with our uniquely formidable economic problems.

Let us establish some first principles. Planning is essentially about the allocation of resources; it is a process determining the rate of investment, the geography of investment and the sectoral distribution of investment. If it is a process of determination, then it must be based on certain political institutions, and if these are created, then they must supersede or replace existing institutions and mechanisms.

All of this implies fundamental change but it does not mean a sudden plunge into a centralised state planning apparatus and the abandonment of the mixed economy that we currently operate. The mixed economy is not going to be abandoned because there is no political support for that course of action.

The fundamental change in question refers to the mix between the public and private sectors, more particularly to the enlarged scope of state enterprise and the new conditions governing the operation of private enterprise.

In terms of a philosophic base for planning in Ireland, what we need is a middle way between the traditional liberal market economy and the detailed centralised and authoritarian type of planning which existed, and still exists, in the Eastern European countries.

When I say “traditional liberal market economy” I do not mean the idealised version of the nineteenth century *laissez faire*, I mean the modified free market that exists in the real world where the state plays an important management role in the interests of private enterprise. I am talking of a middle way between what exists here now and what exists elsewhere.

If we are talking about real problems it is best to stay in the real world.

Pierre Masse, the great exponent of French planning, wrote in a forward to one of the first books in English on the French planning process (*Economic Planning in France*, John and Anne Marie Hackett 1962) that:

“Extreme solutions are always more pure from a doctrinal point of view than those intermediate solutions expressing compromises which, in turn, vary from one period and from one country to another. And they are consequently easier to explain and to defend. But life itself imposes a compromise. Thus there is no such thing as a 100% liberal economy. Everywhere the State has had conferred upon it a more or less wide range of responsibilities in the economic field. Doubtless, a 100% imperative type of planning does not exist either. It is universally recognised that a measure of individual initiative is a factor generating economic progress. Being realistic, French planning is less a theory than a practice, less a codified charter than a set of usages in constant evolution. It is, above all no doubt, a state of mind”.

That state of mind should identify employment as the overriding national priority. If that is the case, then planning should identify industrial employment as the primary means of meeting this objective. There is no other avenue to full employment. The next consideration is the provision and allocation of investment funds to secure industrial growth. In operational terms this is the nub of the political problem.

I believe there are two ways we can provide the funds. Firstly we must create Government insurance institutions that over the medium term will assume a position of dominance over the finance market. For example, in Sweden, an economy with one of the highest GNP per capita in the world, one third of industry's external finance came from Swedish government insurance institutions during the period 1966-70, a source that provided no finance at all in 1951-55. We must emulate that.

Secondly, the state must, at least, become a partner in the commercial banks. Purely commercial criteria cannot be expected to provide a sound base for long-term growth and, accordingly, the State must ensure the emergence of other criteria within the banking system. In times of great difficulty and stress liberal market economies have permitted the state to reserve to itself a significant portion of bank credit, such as the 40% special deposits with the Bank of England imposed on the commercial banks by the British Government at the end of the last war.

This is for us a time of great stress and difficulty and the Banks should be forced to hold special deposits in the Central Bank at nominal rates of interest for the use of the State and its development agencies.

Ideally, the State should take over the Banking system, or at second best, have its own commercial Banking arm. But since neither of these is a likely eventuality in the near future it is advisable to press for what is possible, even if it is imperfect.

In these two ways resources can be provided as the financial base for the plan.

Additional resources can also be provided by normal commercial borrowing, by equity capital from private sources in joint ventures and by internally generated capital, this latter source growing in importance as the plan develops.

It would be completely dishonest to ignore or gloss over the difficult choices that will have to be made about the rate of capital formation which is, naturally, linked with levels of private consumption and also of social consumption.

Putting the problem in more conventional political language, the issues involved are tax revenues and current Government expenditure on social services. We do not yet know what the taxation implications are of promoting a huge industrial development program.

It may be that the choice between restraint in private consumption and growth in capital formation will be politically difficult, so difficult that no Government under current administrative structures will be able to resolve the pressures and stay in office.

If you want the question put in more dramatic form it could go like this: are those in jobs willing to pay the cost of providing jobs for those who haven't any? Are we willing to slow down the growth in our standard of living (as expressed in private consumption) so that everybody actually has a living?

There are sufficient indications to suggest the answer to these two questions could be "No" or a reluctant "yes but..." and the "but" could be very important, in fact, it could be very intimidating for a popularly elected Government.

Planning will help to resolve social tensions, but it will also help to create them. It will divert resources from one area to another and those from who resources are diverted must be convinced that the reasoning behind the diversion is justified and socially valid. Otherwise, their resentment will be channelled into political opposition and, possibly, violent dissent.

4: Institutions for Planning

These are powerful arguments, in my view, in favour of new institutions to evolve and implement the plan. Existing institutions are too fossilised, too insensitive and too much aloof, to provide the foundation for the planning process.

The essential requirement of good planning, especially planning in the circumstances we are discussing, is consent to the decisions. And consent must be based on participation. Therefore, we require a new participative process based on new institutions.

At the centre of this process we require a National Planning Commission, independent of Government, taking its brief from Government as to the objectives and general priorities of the plan, but free to spell out the alternative avenues of development and the political, social, economic and financial implications of each alternative. It should be free to indicate the optimum strategy.

Then it should have a large number of individual planning Commissions involving all the social, political and economic interest groups, of which Government is one, each Commission concerned with a specific economic or socio-economic sector of activity, for example transportation policy, education, development of resources, and so on.

The findings and recommendations of these separate planning Commissions would then be co-ordinated by the National Planning Commission, eliminating, to the greatest extent possible, incompatibilities, but not the irreconcilable, since that will always be impossible. The process of reconciling the proposals of the separate Planning Commissions would be, obviously, a consultative one extending their participation beyond their own immediate sectoral concerns to higher levels

and involving them in decisions concerning the interaction and interdependence of all the sectors.

In other words, each Planning Commission would not be taking decisions *in vacuo* but in the context of socio-economic restraints so as to avoid the dangers of sub-optimisation.

In the end, of course, the National Planning Commission would itself take decisions, co-ordinate them and present its plan as a coherent whole for political ratification by the Government and Oireachtas.

This process should, and could, ensure the maximum amount of public involvement, as well as pressure group involvement, in the planning process. It should therefore ensure open debate about priorities and general consent to the final order of priorities that emerge.

This process would not of course take the Government out of politics, or absolve it from having to take the crunch decisions or deny it the right to determine overall national priorities and objectives. For example, a decision to strive for maximum state involvement in the development of our natural resources would be accepted by National Planning Commission as a datum, and not as something to be contested or debated.

Rather this mechanism would add a new and necessary extra dimension to the process of Government, democratic Government, which has atrophied and consequently found itself incapable of taking basic decisions in a universally acceptable way.

Two concrete examples will illustrate the need for the new dimension. Elite group reports, involving choice in the allocation of resources will not be accepted by the people without demur. The Buchanan Report – an approach to industrial development – was ignored because of the outrage of towns and other areas which felt they had been left out of the plan. The

Fitzgerald Report on Hospital Re-organisation led to passionate opposition all over the country from those outside the designated areas of development.

At the moment the attempted rationalisation of CIE rail services is provoking periodic opposition according as CIE announces intended closures or cut backs.

All these decisions have one characteristic in common. They were taken by elite groups. There were taken without reference to the people they were presumed to benefit. There was no consultation.

The overall issues were not understood by the public because they only had partial knowledge - and incomplete knowledge is the greatest enemy of rational decision making. It is no wonder this type of planning has led to such persistent opposition to its conclusions and proposals.

It would be even worse if a national economic plan, involving fundamental decisions about resources, growth centres, taxation, social expenditure, and so on, was formulated by the national elite and handed down as a dictate.

Not only would such a plan be bad democracy, it would be a waste of time. It would soon become a dead letter. Every pressure group or part of the country which judged itself to be adversely affected by the plan would open up on the Government, which would soon be reduced to paralysed inaction.

We are in danger of running that risk if the new Green Paper on Planning prescribes old administrative formulas for new problems. Since it will itself be prepared by an elite, the danger must be reckoned as real.

But we shall await its publication in the hope that Labour Party participation in Government will influence the Green Paper's institutional proposals in the direction of more openness,

more democracy, more participation and less private prescription of the public good.

5: Planning Investment

Having outlined the nature of the planning process and the institutions upon which it should be based, I believe we are now in a position to say something further about the nature of planning as it relates to investment criteria.

I earlier defined economic planning as the superimposition of politically determined goals on market forces and said that the planning process would decide on the volume of investment and its allocation by sector and geographic region. It would be a process of decision making in which profitability (or whatever bundle of goals actually motivates private enterprise) would no longer be the sole or dominant criterion governing investment.

Does this mean that under the plan a firm might be refused permission to invest in a particular industry or area? The answer is yes. Does it mean that substantial penalties or benefits might attend investment decisions? The answer is yes.

We could, for example, have the equivalent of the Swedish 25% tax on non-industrial investment on the grounds that we wished to distort the market mechanism in favour of industrial investment. We could have a system of investment certificates without which investment could not proceed at all.

We would substitute socially desirable objectives for those independently determined in private boardrooms.

This would not involve the elimination of private enterprise capitalism or the suppression

of those rights which its exponents regard as its central characteristics; but it would involve a new relationship between business interests and society in general.

At the moment the state acts in a subordinate role. It provides aids, grants and incentives for business. Indeed, in the taxation area alone, the Minister for Finance estimated recently that the nominal 50% tax on Corporation Profits worked out at 20% effective tax rate after allowances were taken into account.

The state provides training facilities through AnCo, export facilities through CTT, research facilities through the IIRS, credit and finance facilities through the ICC and Foir Teoranta and, from time to time, provides Ministers to act as Promoter Agents for private companies.

When a firm sheds workers, the State cushions the impact on those made redundant through the redundancy fund. When a firm goes into liquidation the worker ends up as a charge on the Welfare Services, not only in terms of social welfare but in health and local government as well.

Private enterprise, which portrays itself as a youthful virile Apollo, carrying society on its back, is in reality a hobbling cripple dependant on charity from the State.

This actual relationship, as distinct from the one which comforts the IMI and reinforces the self esteem of business, needs to be institutionalised on the basis that the primary concern of the state, the welfare of all the people, must be paramount above all other considerations, including private gain.

In modern democracies the State is charged by the electorate with the provision of a minimum standard of welfare for all citizens and it is on such issues as employment, prices, social welfare, housing and education that elections are won and lost.

We all know this to be the case, and it is a good thing that it is, but yet our laws, our institutions and our economic order are framed on quite a different basis – the primacy of profit.

In the planning process, the supremacy of the real social priority to which the people subscribe, their own general level of welfare, must be asserted and acted upon.

In doing this, we would not be doing anything we are not trying to do at the moment, but we would be doing it differently and we would be doing it better.

Think of the outcry when Ranks said they were closing down their Limerick plant. What was the primary concern of the public in Limerick, the improved profits position of Ranks or the loss in jobs? And who was asked to pick up the pieces – the Government or the Ranks Boardroom? You don't have to stop and think to know the answers. We live out the answers every day.

Planning is therefore a means of managing society, particularly the economy, in conformity with the desires and wishes of the overwhelming majority of people. Planning is not the denial of freedom (as it might be claimed by those who fear its advent) but the affirmation of freedom for the many. Of course, it will involve restrictions, penalties and inducements. These exist already. It will simply be the replacement of one set for another.

So planning then, will involve new criteria for investment in addition to those which currently prevail. We will ask where, when and in what do we invest so as to provide employment? We will also ask, in what do we invest to make money?

It will be worth asking what we do to provide jobs in a situation where the labour force is growing at twice the rate of net new job creation. We must ask this because private capitalism, even when bolstered and coaxed

by the State, can only provide half the jobs we require.

If we consider the maximum boom period in Irish economy, from mid April 1972 to mid April 1974, the total non-agricultural labour force only grew by 12,000 to 13,000 per annum.

6: The State Sector

The other half of the jobs requirement must come from the State itself engaging in the economy in any and every area of activity without ideological restraint on the scope of its operations.

But, as I have said earlier, I doubt if the majority of the Irish electorate would at present support this view of the State's role. Up to this there has been an uneasy ambivalence about the role of public enterprise in Irish public life.

Where it has been successful, everybody has claimed credit for having thought of it first, that is except those who want to acquire it for themselves for private profit. Where it fails, it is used as proof of the inherent superiority of private enterprise.

The public sector has mainly been confined to two roles; that of providing public utilities where a private monopoly would be socially dangerous and that of providing services or developing resources which private enterprise had failed to promote and develop on grounds of unprofitability.

This has never been expressed in a coherent statement of the State's role in the economy, but it constitutes a widely held acceptance of the real, if unarticulated, limits on the scope of State economic activity.

The public sector has been developed in such a way as not to interfere with private enterprise and has been designed to conform with market criteria. There has been no

formulation of the social role of semi-state bodies and most management teams are judged on a straightforward profit and loss basis as if they were in the business of making money and accountable to private share-holders.

This failure to define the social role of the state-sector, and to take into account the social benefits which accrue from its operation, has led to frustration and consequent managerial paralysis in some of the companies, and unacceptable arrogance and commercial practices in some of the others.

The business world wants them as a support, not as a competitor, and successive Governments have supported this demand. In my own experience, the early development of Erin Foods was irreparably damaged by restrictions imposed by the Department of Finance, which prevented the company competing on the home market in existing product lines. It was permissible, in the Department's view, to compete with private enterprise in the export market but not in the home market, a distinction that only made sense to those already in possession of the home market.

The parent Sugar Company was prevented from expanding into compound concentrated fertilisers in a joint venture with an American Company because it would encroach upon the business interests of Goulding's, later to become an important resting place for the man who wound down Erin Foods.

These are only two examples from my own personal experience and many others could be offered to prove that official commitment, particularly by the Lemass and Lynch Governments, to state development was at worst hypocrisy and at best pretty effective and disarming propaganda.

In reality, there was a deep hostility to the State sector moving outside its cramped confines, particularly if it were actually to compete for profitable business against Irish

companies. It was firmly kept in the Cinderella area of the economy, from which it has only recently begun to emerge.

There is a great residue of covert opposition to Semi-State development still in existence in official circles, notwithstanding the involvement of the Labour Party in Government. I should imagine it is most powerful within the Department of Finance and the Central Bank, which at times seem to operate as the upper and lower houses of the Financial Oireachtas.

That opposition must be overcome at the level of ideas on the grounds of sheer necessity. The enormity of the employment problem and the transparent failure of existing reliance on private enterprise to generate sufficient employment must be hammered home. This must be done so persistently that not even the most obdurate conservative can object to the State doing the job that private enterprise has not done and cannot do.

Opposition to State enterprise could be overcome at this technical level – i.e. as a technique for solving problems rather than expressing ideology. To be acceptable, the technique must be related to its development potential.

I am not going to concern this paper with the avenues of development, for what I have had to offer has been put into the Labour Party's Industrial Development Policy of 1969. What I will address is the issue of structures, because without the correct structures we will not get results.

The key structural innovation we require is a State Development Corporation freed from all restrictions, imposed in the interests of private profit. All existing semi-state companies other than those engaged in public utilities should be made subsidiaries of the Development Corporation so as to ensure co-ordination, eliminate duplication and secure economies of scale.

The Development Corporation should be charged with creating industries and services in accordance with the National Plan and should be free to set up new state companies or to engage in joint ventures with domestic or foreign private enterprise. Its primary source of capital should be those I have indicated earlier, but clearly it would also have ready access to the international money market.

I am not proposing an economic “hold all” into which Private Enterprise would dump its lame ducks, but an entirely new departure for which there is no precedent – either here or in the UK. I am proposing the creation of a State Holding Company analogous to the Swedish State Holding company, Statsforetag, which controls a group of state companies, accounting for 5% of Swedish manufacturing output. It is in a diverse range of technologies from the more traditional to the most advanced, with an emphasis on heavy industry.

In advocating a State Development Corporation to act as a co-ordinating holding company we are not putting forward an unproven solution but a model that already exists in Europe's most advanced economies.

This proposal is not new, it has been Labour Party Policy since 1969, although some recent advocates of the idea seem to believe they discovered it. Its special relevance now as a policy instrument is the imminence of natural resources development in minerals and metals and oil and gas.

I believe it would not be in the best interests of the Irish economy if separate companies were set up to manage the State Smelter that is envisaged or a separate State Oil Company, for I fear the power, often the negative power, of self-contained industrial empires.

State Companies in minerals, metals, oil and gas and petro-chemicals are potentially gigantic in terms of our past and present experience and could grow so disproportionately large

in relation to the rest of the economy that they would be virtually uncontrollable, and effectively unaccountable to anybody, including the Oireachtas.

In addition, there would be problems of sub-optimisation that I mentioned earlier and with which I was not unfamiliar when with the Sugar Company. Even at this moment, the lack of co-operation and co-ordination between semi-state companies is lamentable. It could be positively lethal over the next decade.

For these reasons, I am firmly of the conviction that the State Development Corporation must act as a holding company with wholly owned state companies fully accountable to it and with equity capital in joint ventures for the entire economy other than public utilities, such as transport, power and telecommunications.

But I do foresee persistent opposition to this whole proposition, which may prove decisive until economic chaos forces the idea on Government.

The main opposition will come from within the administrative establishment and this raises one last issue that I wish to discuss. It would be pertinent to any examination of the future, whether or not it contained specific problems such as those created by our population growth.

The discussion on planning in this paper has taken place on the understanding that democracy prevails and will continue to prevail.

It's not an unreasonable assumption about the future but it is not an unquestionable one either. We should, if we are to be prudent, look cautiously at some of the general principles underlying the democratic system so as to anticipate possible crisis points.

7: Democracy under Stress

The first thing to note is the relatively late development of the typical western democracy as a form of social organisation. Democracy as we know it is virtually synonymous with advanced industrial societies. It is the exception rather than the rule throughout history and even at this moment the great majority of mankind does not live under what we would regard as popularly elected governments.

Where it does exist, it is changing from what Schlesinger called "the Imperial Presidency" into a system of diffused power. The State is being progressively de-coercified, if one might coin the term. Passive acquiescence in the face of the State's apparatus of power is being replaced everywhere in the democracies by active organisation in defence of rights.

The rise of the trade union movement and the emergence of mass social democratic parties in Europe with powerful influence on the role of the state and the nature of law are two great examples from the last half-century. The consumer revolution and the women's liberation movement are the two great current examples of the same trend.

Everywhere the nature of law is being questioned and the ability of the state to coerce people is being diminished – as Mr Heath found out with the miners' strike or as President Nixon discovered over Watergate.

Democracy is in a process of transition, principally I believe from the forces unleashed by mass education, universal communications and the partial liberation of industrial man from the tyranny of dehumanising work.

Roger Garaudy, in his great work *The Turning Point of Socialism*, caught the mood in 1969 when he said:

“The common denominator of the claims of labour, of the cadre’s questioning, of the students aspirations is a demand for participation, as opposed to alienation from existing structures, participation in historical initiative, in the sphere of economics, politics and culture. The underlying principle of all the movements in 1968 and 1969 is the refusal to be integrated into a system without being able to discuss its meaning, value or purpose” (page 20).

We are aware that in all aspects of life, religion, politics, industrial relations and community affairs, people are refusing to submit to systems whose meaning and value they cannot understand.

There is a great danger here, and it will persist throughout the Fourth Quarter of this century because those who run the State apparatus will always work it with a time lag between what is really happening in society and what they perceive to be happening. Social institutions will always tend to lag behind social change and will rarely, if ever, anticipate it.

This can produce serious stress and breakdowns of the three-day week variety, which Mr Heath’s Government produced in 1973 and 1974. It could lead to serious stresses here under conditions of massive unemployment and the palpable failure to manage the economy efficiently.

The peculiar problems that will confront us and the general difficulties that will face all democracies, will converge, and may push us beyond the point of coping, unless we begin to make changes now.

I will confine myself to changes in the political sphere that are necessary to avoid because they only require the will to act without placing a concomitant demand on the investment of resources. In other words, these changes do not require money – only intelligence, which is a rare commodity these days.

It is clear we have done little to modernise the parliamentary institutions we created in 1922 or the administrative structures we inherited from the British. The social philosophy underlying both is, I fear, outmoded and redundant.

Parliament’s own conception of itself is obviously at variance with modern realities. It refuses to permit twentieth century technologies of radio and television to transmit its proceedings in circumstances where maximum rather than minimum communication with the electorate is essential, but it is, nonetheless, happy enough to permit the essentially eighteenth century technology of printing to report on its affairs.

The cabinet structure has been altered only to permit greater specialisation, such as splitting Labour and Transport and Power from the Department of Industry and Commerce. The number of Parliamentary Secretaries at seven has remained unchanged since originally instituted in 1923. The hint that Ministers of State might be created by the Coalition Government has turned out to be nothing more than a misleading feint in the direction of reform.

The backbenchers, denied any meaningful involvement in policy formation, have been virtually cut off from the process of Government and have no positive influence upon it. In fact, the Secretary and top Civil Servants in any Department have more real power than deputies and senators.

It is no exaggeration to claim that the Secretary of the Department of Finance, whomsoever he might be, has more power and influence in Government than all the Government backbenchers put together – and you could throw in the National Executives of the Government parties for good measure.

This is the most serious defect of all – the institutional character of the permanent administration, which is non-elective, responsible to nobody but its Ministers, and immune from public scrutiny and accountability

under the doctrine of Ministerial responsibility.

The latter is, to a great extent, a polite fiction; it wards off public examination of the administration, and is the *sine qua non* for exercising power in secret.

The reform of the Cabinet and Parliament are urgent, even in such mundane parliamentary procedures as voting in divisions, but the most urgent of all is the reform of public administration so as to bring its processes of decision making out into the open. The reason for that is, while the accountable elements of the Constitution are the politicians, they do not work in a master servant relationship with the civil service but in an interdependent one, or, more accurately, one of dependence.

It is not a relationship of pre-eminence for the politicians or, indeed, even one of equality; the balance has swung inexorably in favour of the permanent administration according as the functions of the State have become more complex and more extensive.

Because of that disequilibrium, I believe the accountable elements of the Constitution must be extended to include the policy-making echelons of the administration, both central and local.

If this does not happen due to the hang over of the British concept of a neutral and anonymous civil service, then our administrative structures will simply not be able to cope with the demands of a more participative democracy. And there would be no chance whatever of building up the type of planning structures I outlined earlier, and which I regard as essential to our economic survival.

If there is no reform of the public service then there will be no planning. There will be something described as planning but real planning will have been killed stone dead. Decisions taken in secret by elites, no matter how well intentioned or motivated, are no substitute for democratic involvement and will not gain

sufficient consensus to carry us through a major programme of economic development.

For that reason, I believe these two issues are so interrelated that one is indispensable to the other.

I am not optimistic about the prospect of either set of reforms. There is little popular or political awareness of the onset of population growth, despite the invaluable work of the National Economic and Social Council. The Public Service is one of the most powerful, and conceivably the most powerful, pressure group in society. It will not acquiesce in change without a titanic struggle.

It has its own view of itself as the neutral, objective servant of the democratically elected Government, which is itself a value judgement that is neither neutral nor objective. Regrettably, it is accepted. It is accepted by those who could make the change but who, as yet, do not have the political will to do so.

The public service has carried on the worst traditions of the British system of civil administration, a tradition that believes in the total separation of administration from politics, an evident self-contradiction, since the administrative system supports the political, advises it and carries out the decisions it has helped to create.

The myth of the neutral administration is a powerful ideology that is used ruthlessly by those forces which oppose change or which, under intense pressure, might permit minimal or cosmetic change.

Worst still, this ideology blinds the administration to the necessity for change, to the need for innovation and experiment. It makes it insensitive to the political process and makes it dangerously unaware that its blindness and insensitivity together constitute one of the most powerful and conservative influences at work in society.

As a result the entire system of public administration unwittingly becomes a major obstacle to change, and one which politicians may not be able to conquer, except with great energy, vision and courage, qualities which are ever in short supply.

I am very pessimistic about the potential for change in the area of public administration, either self induced or externally imposed. Nothing the Government has done in three years gives us any reason to anticipate even mild reform and its failure to reform the public service (and Government and Cabinet as well) is the most fundamental mistake the Coalition Government has made.

In the long run, it could be the most far-reaching of its failures, even to the extent of ensuring its own defeat in the next election.

8: Conclusion

The Labour Party must fight against that possibility by driving home the enormity of the social and economic problems being brought about by rapid population growth, by expounding solutions, such as planning and industrial development, which are technically sound and ideologically consistent with realities, and by awakening Irish society to the imminent dangers that face it through the logic and clarity of its arguments.

The obstacles to our proposals for planning and state enterprise are, firstly, an assumption that "planning" is a more updated version of economic programming and a more efficient means of securing private enterprise growth and, secondly the deep hostility towards state encroachment on the market.

It could be argued that these are but two aspects of the one reality: the triumphant dominance of the private enterprise ethic in the

national consensus. I would not deny this is true.

It is precisely because I believe it to be true that I believe we should not contest it on the philosophical level at all. Instead, we should fight on the grounds of necessity and of survival.

What is at issue now is the future of this generation. Because of the immediacy of the problem, the debate must be conducted on the basis not of ethics but efficiency - which is the most effective method of solving the employment crisis? What is necessary? What is to be done?

We must argue the case for planning on the more prosaic grounds of efficiency and simple economic necessity. In so doing, I readily admit that for the socialist in a minority position, the only occasions when ideology can be advanced in operational terms are those when ideology and necessity coincide. I would argue that this is one such occasion. Whether one is a socialist or not, I believe there is no alternative to affirming the conclusion that the only way Ireland is going to provide jobs for its young people is by resorting to economic planning and by expanding the state sector.

The problem is simple - how do we provide jobs at the rate of 25,000 to 30,000 a year when we have only been providing them at 13,000 a year? The issue is people. Our young people. Our young people flooding onto the Labour market, looking for jobs, wanting to get married, looking for homes, having children, searching for school places, demanding a place in life which the present system can neither provide nor afford.

That is the issue. It transcends all ideological objections to solutions which work and which are simultaneously compatible with freedom and justice.

If, in the process of solving these major social problems, the superiority of the socialist

philosophy is demonstrated – then those of us on the left will not object. Neither should those on the right, since the basis of their argument in favour of private enterprise capitalism has always been that of efficiency.

They cannot, to be consistent, object to efficiency simply because it comes from planning and from state enterprise – not if they are serious about tackling our population problems. They may not be, but time alone will tell us that.

If the Labour Party fails to win this argument, it will not only have failed itself and what it stands for, it will fail electorally and deservedly so. Irish society will fail, but that will be no consolation.

There is no answer to these new problems outside of the message we preach, the democratic socialist message. In preaching it we need only preach its relevance, its practicality and its necessity. The validity of its ideology will be vindicated in due course. In the meantime, we should eschew the sloganeering that inhibits national debate and we should confront Irish society on issues where debate cannot be avoided – jobs, growth and efficiency.

The conservatives have no answer that will bring the dole queues down below 100,000. We have.

Let us offer them by producing a Labour Party statement on Economic Planning and Development in response to the Government's forthcoming Green Paper on the subject. And let that statement be unassailable in its analysis, technical competence and economic prescriptions.

If we do that, we shall have accomplished the most important task we have confronted in over sixty years. We shall have secured our own future and prevented massive social injustice and disorder.

It is a challenge I hope we can meet.

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