



the fair economy



Pat Rabbitte TD

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“

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Introduction

In May 2003, during my speech to The Labour Party conference in Killarney, I spoke of the need to construct, not just an alternative Government, but also an alternative vision of society. In contrast to the existing Government's neo-liberalism, the purpose of Labour's social democratic project must be the creation of The Fair Society. It is a society based on social justice, sustainable development and personal freedom. Founded on a successful enterprise-based economy, the Fair Society is about the expansion of the real freedoms that people enjoy; freedoms flowing from access to a full education; that derive from access to a comprehensive quality health service; that obtain from the defeat of poverty and that are secured through the restoration to esteem of the public realm.

Underpinning that vision of the society we can build in Ireland, is a view of the economy that stands in sharp contrast to that which has dominated economic policy making since 1997. The dominance of the neo-liberal right in economic affairs has recently been the subject of a 'phoney war' within the coalition cabinet, provoked by the recent Local and European Elections. Senior ministers, we are to believe, are engaged in ideological debate about the future direction of the Government. The Minister for Communications, Mr Ahern, was moved to declare that "*In economic and social policy Fianna Fáil rejects the notion that the state should take a back seat and allow unbridled market forces shape our country*", while Ministers McCreevy and McDowell felt it necessary to respond with defences of their neo-liberal ideology.

The tension that we are asked to believe exists within Government on ideological grounds stretches credulity. After all, Fianna Fáil and the PDs have been in Government together for seven years, and it seems unlikely that senior Ministers of one alleged ideological persuasion would only now have woken up to the supposed ideological predispositions of some others of their cabinet colleagues. Minister Ahern has certainly never looked uncomfortable with neo-liberal thinking before, and indeed, would have been seen as one of its more enthusiastic practitioners. The departure of Mr McCreevy to Brussels may be intended to send a signal that Fianna Fáil is for turning, but the reality is far different. The Minister most strongly associated with the deception of the electorate in 2002 has been retired, and the dominance of the right within Government continues.

There is more to these exchanges, however, than post-election humbug, at least in so far as they prompted questions about the choices that confront us

as to how our economy and society are to be managed and governed in the future. A speech by Minister McDowell to the Annual IBEC dinner on 22nd June, has provoked particular comment, since in his determination to justify his neo-liberal prescription for the future, the Minister grossly distorted the history of Ireland's recent economic success. There are two related issues. First, what role has 'liberal market economics', as Minister McDowell describes his political creed, played in the success of the Irish economy since the late 1980s? And, second, is there any alternative to liberal market economics as a mode for successful economic management in the future?

This pamphlet addresses both questions, but its primary purpose is to outline just such an alternative approach to economic policy-making. This is not a manifesto as we have come to use that term. My concentration is on setting out a framework of general principles and objectives, as a necessary first step in developing an alternative, conscious of the necessity to put flesh on the bones of these principles between now and the next general election. My purpose is to set out the framework of a social democratic alternative, based on the long-held values of the political left, but adapted to modern conditions, and attuned to the needs of one of the most open economies in the world. It is an alternative that will bring continued economic success, but which will bring with it benefits other than simply expanded national income. It will bring a better quality of life, more opportunities for personal fulfilment, and a more equal country. It will allow us to tackle some of the many problems which our recent success have thrown up, as well as some of the grosser manifestations of inequality in our society. It will place a greater value on people, and what they can achieve in their own lives, rather than making them subservient to the demands of an impersonal and unrestrained capitalism. It is called the Fair Economy.

What Created The Tiger?

In his speech to the IBEC dinner, Minister McDowell presented a grossly distorted and self-serving interpretation of Ireland since 1973. In the period 1973-1987, he claimed, Ireland was a 'social-democratic' country, subject to 'massive state domination' of the economy, and an economic failure. The period since 1987, on the other hand, has been successful, and has been characterised, he claims, by the embrace of the principles of liberal market economics: i.e. if you cut taxes and reduce the tax burden, keep a tight lid on public spending, encourage private enterprise and favour markets, market development and competition you leave people with more of their income, liberate them to live their own lives and encourage initiative and reward it. This fuels economic activity, swells the public purse and enables the state to spend on useful services without recourse to unsustainable borrowing. It is, according to Minister McDowell a proven virtuous circle. Mr McDowell also adds an additional element: his belief that a bit of 'stick' for the poor is no bad thing.

The purpose of his exposition is to convince us that without his liberal market economics, there would have been no turnaround, and no boom.

The most basic problem with all of this of course is that the period since 1987 simply cannot be described as one of unbridled commitment by Ireland and Irish politics to liberal market economics. Even Michael McDowell is compelled to accept that the factors behind the change in our economic fortunes are much more complex than the adoption of his unadulterated liberal market economics. He cited six, namely sound public finances, social partnership, 'generous help' from the European Union, direct foreign investment, a stable currency, and 'a new low rate approach to personal and corporate taxation'. So he concludes that *'having acknowledged that none of these factors is the sole explanation, it is equally necessary to admit that the Irish economy would not have prospered if any of those factors were absent.'*

There is an, at least implicit, acknowledgement here that sound public finances, a stable currency, social partnership and direct foreign investment are not the sole preserves of the exponents of liberal market economics. They most certainly are not. It was, after all, Ruairi Quinn as Minister for Finance who guided Ireland into EMU. A commitment to a strategy of encouraging inward investment has been common to all of the main political parties since as far back as the late 1950s. It was the rainbow Government that locked Ireland into the current 12.5% corporation tax rate (and indeed, there was a 10% rate for manufacturing industry long before that). Most particularly the 'generous help from Europe' can be

ascribed to a strong social democratic instinct in EU politics, especially under the Presidency of the French socialist Jacques Delors.

Social partnership is harder to categorise. Again, Governments of all shades have committed themselves to partnership. On the other hand, for partnership to function effectively requires some degree of social democratic commitment on the part of Government (as has been the case in countries where partnership arrangements originally thrived). One of the biggest strains on the partnership process in recent years has been the increasingly neo-liberal tendencies of the Fianna Fáil/Progressive Democrat coalition.

Furthermore, any full account of the origins of the Celtic Tiger must include other factors, including favourable shifts in Ireland's demographic profile, when a falling birth rate and a small elderly population lowered the dependency ratio. Equally, the expansion of the Irish education system after 1968 was a major factor in fuelling the growth of the 1980s, as were good strategic decisions by the IDA, particularly through the 1980s and 1990s, in identifying high-tech industries as engines of jobs growth. These are certainly not the result of 'liberal market economics', or the demise of social democratic thinking.

Intellectual honesty also demands a more balanced account of the problems encountered by the Irish economy in the 1970s and 1980s. These were not caused by any single factor, and certainly not by the dominance of 'social democratic' thinking. A full account of the inflation of the 1970s or the unemployment of the 1980s must include the role played by two oil price shocks and subsequent international downturns, the utterly reckless mismanagement of the economy by both the anti-Haughey and pro-Haughey camps within Fianna Fáil between 1977 and 1981, and their failure to deal with the ensuing public finance crisis. One might also add the impact of corruption, and most especially the unwillingness of an elite in Irish society over decades to pay their fair share of tax, to orchestrate with some bankers massive tax evasion and to engage, again with some bankers, in large-scale illegal expatriation of wealth. These are but some of the factors. In reality, the blame for those failures can be widely spread, but they certainly cannot be ascribed to the absence of liberal market economics.

So, what then has been the contribution of neo-liberalism or 'liberal market economics' to the Irish success story? Is there even any evidence of a neo-liberal revolution in Ireland, as was evident in other industrialised countries, particularly the UK and the US, during the 1980s, and as described by Minister McDowell?

Fianna Fáil under Charles Haughey can never be easily categorised on any left/right

ideological scale. Indeed this might be said about the Fianna Fail party historically. It is nonetheless true, on the other hand, that his Fianna Fáil critics, whether they stayed in that party or migrated to the PDs, often re-invented themselves as right-wing ideologues. This has been most strongly evident in Mr McCreevy's stewardship at the Department of Finance.

Mr McCreevy's neo-liberalism is not, of course, entirely pure. He was happy to make general pronouncements about the merits of allowing people to spend their own money, or on how low taxes are necessary to generate jobs. His mantra that 'you can only spend it when you have it' has been his justification for pro-cyclical fiscal policies and a cavalier approach to public spending and investment. But he is equally open to allowing economic policy to be driven by party political motives. Hence his eighteen month spending splurge in advance of the 2002 General Election, when current spending was increasing at more than 20% per annum, had more to do with re-electing Fianna Fáil at the taxpayer's expense, than any neo-liberal principle. Equally, it is hard to see how his devotion to tax breaks for special interest groups, which do anything but reward risk, are part of a broader neo-liberal schema. His commitment to the economics of the right is heavily tempered by political self-interest, and the self-interest of wealthy groups within Irish society.

What claims can the neo-liberal right make in relation to privatisation and/or competition? It is true that there has been an impetus to liberalise certain sectors such as telecommunications and electricity supply as a result of European initiatives. The manner in which these have been implemented in Ireland, however, has often left a lot to be desired. In telecoms, the Eircom debacle not only hurt small shareholders, but it has effectively privatised a company with significant market power which it is difficult to regulate, and it has hurt Ireland and its international competitiveness in respect of broadband availability. Nor has the promised level of competition materialised. The on-going debacle at Aer Rianta, on the other hand, is an example of a blind ideological devotion to competition, as though any form of competition would improve the airports' performance, without any regard being had to the structures of the industry concerned. It is highly questionable whether the form of market structure introduced in the electricity industry will do anything to bring down prices or increase capacity in the long run.

By the same token, the so-called champions of competition have been less than robust in pursuing anti-competitive practices across the Irish economy. Apart from an ill-designed taxi deregulation, the record does not stand scrutiny, particularly where the professions are concerned. That costs in Ireland are among the highest in the EU is a testament, both to the overheating of the economy by Minister

McCreevy, and to the failure of Minister Harney to really drive competition policy with any determination. Seven years into her tenure, we are no closer to enhanced competition in the professions. Despite increasing public concern about the 'rip-off Ireland' phenomenon, competition policy has focused on side-issues such as the Irish Kennel Club, while failing to tackle the professions, the non-traded sector, and other major elements in the Irish economy. Meanwhile, minor reforms in the insurance area, which have been delayed for years, are trumpeted as major breakthroughs, while insurance costs have crippled small and large business and motorists. When it comes to taking on special interests, the neo-liberal revolutionaries have been timidity itself.

Meanwhile, it is a striking fact that the coalition parties, who claim to promote an enterprise economy, have themselves taken their eye off the ball when it comes to industrial strategy. Despite all their rhetoric to the contrary, the recent report of the Enterprise Strategy Group concluded that *'Ireland has lost its former ability to respond quickly and flexibly to identified needs, and that there is no longer a clear focus on enterprise as driver of economic growth'*. [p85]. Indeed, anyone reading the report of the Enterprise Strategy Group cannot but be struck by the importance attached by the group to the role of the state in developing the enterprise economy – the notion of a 'hands-off' approach by the state is entirely absent from a report so warmly welcomed by Minister Harney.

Which brings us to taxation. The claim made by Ministers McDowell and McCreevy is that lower tax rates have been the main driver behind the economic boom. Here again, history is being abused. The reality is that the boom came first, and was followed by tax reductions.¹ Are the Ministers really saying that they effectively took a punt, by cutting taxes and waiting for economic growth to follow? That is certainly not a theory one will hear very often from officials in the Department of Finance! The fruits of the boom were channelled into tax reductions, but as part of a broader strategy worked out with the social partners to trade off wage moderation for tax cuts. No liberal market economics here. This boosted the competitiveness of the economy, while enhancing living standards. During the height of the boom, as expectations soared and employment increased, those rising living standards combined with falling interest rates to fuel consumption. While lower tax rates may have had a positive impact on employment and domestic consumption, the mechanisms behind the boom were far more complex than cutting taxes and waiting for growth.

However, the social partnership model of trading off tax cuts for wage moderation has, by and large, run its course. As the boom developed, it began to be realised by more and more people that ever-expanding household incomes were not tackling the key issues affecting quality of life for families, including housing costs, transport,

education, crime, and health. There is a limit to how much of the growth dividend can be taken in private incomes rather than public services. Ultimately, there are some goods and services which can only be provided, or which can only be provided well and fairly, through collective consumption. The reduction of the share of national income being channelled into such services has shown through in terms of our quality of life. Despite all the wealth created by the boom, public services in Ireland languish far behind those in other countries. In 2003, of the then fifteen EU members, Government spending on service provision was the fourth lowest as a share of GNP. While there are undoubtedly serious problems in the way that public services are delivered, and a need for significant reforms in some sectors, it is also the case that the share of national income being channelled into public services in Ireland is too low as a result of the choices made by this right-wing Government.

As the sustained boom of the late 1990s came to an end, so did the Government's pre-election spending spree, and the first targets for tax increases were working families. A wide range of indirect taxes and charges were increased significantly, and the Government became one of the main direct causes of inflation. Meanwhile, within the income tax code, the decision not to index the standard rate band for two years in a row pushed large numbers of taxpayers into paying tax at the 42% rate. For the first time, more than half of those paying tax now face a marginal rate of 42%, including single people on the average industrial wage. Fianna Fáil having accused others of being in favour of tax and spend, are now the party of spend and tax.

The neo-liberal right must also take responsibility for the damage that it has done to the Irish economy. This includes failure to invest in infrastructure in a timely and efficient manner which undermined competitiveness; the overheating of the economy which pushed up inflation and damaged competitiveness; the failure to devise and implement a serious strategy for balanced regional development; the botched privatisation of broadband infrastructure; the failure of other economic regulatory regimes; and the uncertainty within which a number of state companies have had to operate because of Government dithering about their future. To this list must be added the substantial damage done to both the efficiency and effectiveness of the public services through a stop-go funding policy, with resources being thrown around before elections, and vital services being cut afterwards, not to mention the damage that might be done if the Government persists with its decentralisation stunt.

The Alternative

One of the most powerful assets of neo-liberalism has always been its apparent simplicity. Neo-liberalism describes the world in very simple ways, and applies simple solutions – usually a market mechanism - to almost every social problem. For neo-liberals everything can be reduced to a small number of categories, and everything can be improved through a stronger centralised state and/or the application of market mechanisms. This simplicity makes it a philosophy that is easy to expound.

The world, of course, is a far more complex place than neo-liberals allow for. Markets regularly fail, and even when they do function in the manner described by the textbook, they often produce undesirable results. The alternative to neo-liberal ideology is a social democratic perspective, which combines a view of the world as a complex place, with a coherent approach to economic governance and the achievement of real, sustainable social progress. The social democratic vision can be described as the Fair Society. It is built on an innovative, enterprise-based, sustainable economy; social solidarity; public provision of certain goods and services; and a commitment to personal liberty – the Fair Economy. Constructing it requires us to apply the following ten principles:

1. Unlock human potential
2. Embrace the market, but regulate it
3. Invest in people
4. Invest in good public services
5. Leave no-one behind
6. Respect the Citizen-Consumer
7. Design a new strategy for enterprise
8. Build a sustainable economy
9. Redefine the economics of care
10. Build a Fairer World.

1. Unlock Human Potential

“Equality of opportunity is fictitious without equality in the circumstances under which men have to develop and exercise their capacities”.

RH Tawney

Every one of us is born with immense talents, gifts and possibilities. A successful country is one that allows people to unlock that potential, and make the most of that which it is within them to achieve. That achievement comes in every shape and form, and in every field of human endeavour. If the Special Olympics taught us any thing, it

is that personal achievement knows no boundaries of birth or background. Whether it be the achievement of pursuing a career, living in a fulfilling relationship, or climbing Everest, in the words of the socialist thinker RH Tawney *“A society is free in so far and only so far ... as its institutions and policies are such as to enable all members to grow to their full stature”*

Or as the Philosopher Gajo Petrovic put it

“A society is to that extent socialist in which it provides the possibilities for a free creative development of every individual.”

Of course, it is clearly the case that a wealthier society offers more options than a poorer one. Mass unemployment of the form witnessed in the 1980s closed off potential and held people back. But, if fulfilling human potential is, as it should be, the yardstick of success, then the economy must serve society, and not the other way around.

For left-wing thinkers historically, the biggest barrier to personal fulfilment in society was seen to be that of class and the exploitative nature of untrammelled capitalism. But at the individual level there are other barriers too, that we have to recognise. Human society has always thrown up arbitrary obstacles to the fulfilment of human potential, ranging from the treatment of women to the incitement of racial hatred to the undue restriction of personal liberty. The role of social democratic government is to challenge remove these barriers, to mitigate them and to offer people real freedom and real rights. Breaking down economic barriers and building up positive social and economic rights is at the heart of the social democratic project.

2. Embrace the Market, But Regulate It

“There was nothing natural about laissez-faire. Free markets could never have come into being merely by allowing things to take their course.”

Karl Polanyi

The market is one of the most powerful and successful means open to human society to organise its affairs. But markets cannot function in a vacuum. To function at all, they must be embedded in a social and cultural context, including a functioning legal system that protects property rights, and norms of behaviour among citizens which make markets possible and successful. The formal and informal institutional requirements for capitalism to function well call for a major role for the state in such an economy. While market-based competition is a vital driving force in a modern economy, there is a range of other factors that determine how effective the market is in producing desirable outcomes.

By the same token, markets are not the only mechanism through which society can effectively organise its affairs. If that were true, the Churches would never have survived as long as they have, the GAA would not be the strongest sporting body in Ireland, there would be no police force, the special Olympic games could not have taken place in Ireland in 2003 and Linux would never have happened. As well as markets, there are other successful ways of getting things done, through communities, through the state, and through associations.

A country can be described as 'capitalist' if the market is the principle model used to organise its economic affairs, with the vast majority of production and investment decisions being made by private companies in more or less competitive markets. But across the developed world, capitalism comes in different shapes and forms, depending on the context within which markets are embedded, and the role played by other models of organisation, such as communities, the state and associations. Economic and social success comes from combining these elements in a manner most suitable to the country concerned and the businesses in which it wishes to specialise.

Markets fail, not occasionally, but regularly and systematically. They fail when there are too few firms or players in the market to make competition meaningful. They fail when a single firm is allowed to become too large and distort competition. They fail when the conditions of production are such that the market alone may lead to no production at all without state intervention. And they fail society when the distribution of wealth that they leave behind them is grossly unfair. In many important industries markets also tend to oligopolistic outcomes, raising issues for public policymakers far more complex than the simple prescription of 'competition'.

So, the market has a major role to play in our economy, but in a context, as part of a broader configuration of social organisation, and subject to effective regulation and/or the promotion of real competition. The left should embrace the idea that competition, in most circumstances, is in the interests of consumers. In certain circumstances, competition can increase the choices open to consumers and keep prices low – both important goals for the left. A blind adherence to the idea that competition will always and everywhere produce those outcomes, however, is misguided. For competition to work, a number of conditions need to exist, otherwise you end up with a worse outcome than when you started. I have opposed the break-up of Aer Rianta, for example, because I do not believe that the case has been proven for the model of 'competition' being proposed. In the absence of information to the contrary, it seems more likely to lead, not to greater competition, but rather to the demise of vital regional airports. That is not to say, however, that an effective model cannot be found whereby greater autonomy can be granted to Cork and Shannon

which will lead to stronger growth in the future. While competition is to be preferred, where it can't work, we need effective regulation. Regulation must be open and accountable, and clearly be functioning in the consumer interest.

3. Invest In People

A logical consequence of this view of the world, including recognition of the role that markets may play in our lives, is the imperative to invest in people. We must give people the skills and capacities they require to make their way in a market economy, albeit one with social protections. That means building a welfare state that does not simply focus on building a safety net for when people fall on hard times, but one which actively seeks to develop people at every point in their lives. It should catch people when they fall, but also give them the wherewithal to bounce back. That means having an education system that is second to none, offering pre-work and in-work training, being prepared to re-train and up-skill people at different points in their lives, and never setting any limits on how much a person can learn. It also means labour market programmes that provide a bridge into the workforce, and the development of a social economy that allows people to contribute to their community while also developing themselves. Education, including second chance education, must be at the heart of the fair society, since it is through education and training that people are provided with the basis to unlock their own potential. Indeed, I would go further and say that part of our goal must be to revolutionise the role that adult learning plays in our lives, and to create a new culture that places far greater value on life-long learning as a path both to economic success and to personal fulfilment.

4. Invest in Good Public Services

It is a basic tenet of social democratic thinking that acting together we can achieve more than acting alone. Humankind is a social animal, and we best develop ourselves when we do so in concert with others. Equally, collective action is often necessary in economic and social affairs. While we can rely on the market to provide a large share of the things we need, there are some goods and services which can only be provided collectively, and others which can only be provided efficiently, fairly and well, when they are provided collectively. Public services are an essential part of any economy, and of any civilised society. While they must be efficient and accountable, public services enhance the well-being of society in a manner that cannot be replaced by the market.

The argument that the boom in the Irish economy was driven by tax cuts does not stand up to the evidence. While tax cuts in the 1990s contributed to wage restraint and to higher standards of living, the idea that taxes can be continuously

be cut in order to foster growth is simply false. No economy can function without a decent public infrastructure, and sound public services. Firms need public infrastructure to get their workers to and from work and their goods to market. They also need skilled labour and effective Government services in a wide range of areas. Continuous tax cuts will undermine the basis for providing those services and hence undermine growth. This is not the same as saying that tax increases will enhance growth.

Ireland needs better public services. That is a central challenge facing Labour. If our economy is to grow, our society to become more equal, our environment to be protected and our quality of life to be enhanced, then public services must be improved. We need better schools, better hospitals, better policing, better care in the community, better services for people with disabilities, better roads, better railways, better waste management and so on and on. The list is long, and the demands are many.

Identifying the need for better public services is not a problem. But delivering them most assuredly is. In some respects, if the problem were only one of money, then it would be comparatively simple. We could confine ourselves to a discussion of how much money was needed, and where it could come from. But the problem isn't that simple. Irish public services do need investment, but they also need reform. There is no one 'big idea' here. No magic wand that a Government could wave to reform the public service. In each sector, such as health or education, there are structural reforms which are required, and which are particular to that sector. But there are also basic reforms needed across the public service, including better accounting systems, recruitment of staff skilled in evaluation methods, the development of an evaluation culture, and so on. These are basic requirements for the management of the public service. The fact that we don't have them in place already, as identified by the NESC among others, is beyond comprehension. We also need better accountability of public servants, including the Gardai, to elected representatives, and a return to a properly functioning Freedom of Information Act. Part of the solution lies in reforming the structures of local Government to achieve a better match between local needs, political responsibility, and service delivery mechanism. But we also need a stronger sense of priorities and focus at central Government level, something which the NESC also recommended. **iii**

There is, therefore, a need for sustained and sustainable improvements in public services, involving a combination of reform and when the case is proven, increased investment. Much of the resources required to improve public services will come from economic growth. Given the scale of infrastructural investment required in Ireland, it will also be appropriate to borrow limited amounts to fund capital spending,

rather than squeezing current spending on public services as at present. There may also, however, be a requirement for greater tax revenues. Such revenues should be raised in the first instance through developing a fairer tax system, ending the tax breaks which have been built into the system to benefit wealthy individuals, and generating a fairer share of revenues from taxes on capital gains, inheritances, and profits from land speculation. While they may not raise significant revenues, more needs to be done in the area of environmental taxation.

If, as a country, we are to maintain and enhance our prosperity, we must invest in our future. Relative to other countries, we will need to maintain a high level of state-led capital investment for some years to come, both so that our economic infrastructure can catch up with existing demands, and to provide the basis for future growth. But we must also invest in the 'soft infrastructure' which is essential to a modern, high added-value economy, including education at all levels, and research and development.

There is a clear and urgent need for a new National Development Plan, based around a coherent spatial strategy. Balanced regional development must be a central goal for Labour. Better management and planning are required to speed up delivery of capital projects, and there is a requirement for clear political and managerial/administrative responsibility for delivery. Network utilities, particularly broadband, have suffered from poorly thought out privatisations and/or regulatory frameworks, which must be tackled.

5. Leave No-One Behind

"Everyone but an idiot knows that the lower classes must be kept poor, or they will never be industrious."

Arthur Young, 1771

It is an essential belief of market fundamentalists that inequality is a necessary condition for economic efficiency – and indeed for economic development. The social democratic vision rejects this and the overwhelming reality of the Irish economy, and every economy, is that greater equality is a requirement for economic growth and indeed general well being. Inequality is literally unhealthy. We cannot afford to leave anyone behind. The lesson of the 1980s must be that the exclusion of large numbers of people from participation in the economy is a drain on growth, a wasted resource, an underminer of social cohesion and a cost to society. Equally, if we are to build the knowledge-based economy that is so often spoken of, then we need to invest in the skills and expertise of everyone, starting at pre-school level. Disparities of income and wealth create divisions in

society that undermine the capacity of individuals to develop themselves and to contribute to the common good. A child going to school hungry needs a breakfast, not an economic incentive. A school leaver with the talent and drive to be a doctor or a designer, needs access to a third level place, and adequate support while they study, not the 'economic incentive' of exclusion on the basis of background or means.

The idea of fulfilling human potential incorporates the notion of equality of opportunity. But equality of opportunity can only be achieved on the basis of a reasonable degree of equality of 'outcomes'. The distribution of income in Ireland is one of the most unequal in the advanced world, and that must change. ^{.ii}

We must begin with the core principle that no-one should be left behind – because it is ultimately economically advantageous, but also because it is a moral imperative. In the first instance, that means the redistribution of work, as well as income. In economic terms, Ireland is effectively a full-employment economy, but we are still some distance from giving everyone who wants one, a job and a role. We should make it an objective to abolish anything other than the most temporary unemployment, by ensuring that everyone who does not work has a place on a training scheme, or has taken an option to go back to education, or has a training or work experience placement. The present Government, in contrast, has cut back on the number of places available for Community Employment Schemes and has all but abolished the Back to Work Allowance Scheme.

For those for whom participation in the workforce is not an option, due to illness or disability, we must ensure that their living standards are maintained at decent levels, and kept in touch with the rate of growth of wages, not just prices. In the longer run, the problem of poverty among older people will only be resolved through enhanced savings for retirement, something that must be tackled now.

The left must not, however, allow itself to become fixated on income to the exclusion of wealth. It is a common feature of advanced economies that wealth is more unequally distributed than income. Equally, it is true that asset ownership confers major benefits and opens up economic and social opportunities. The state, therefore, has a role to play in developing a fairer distribution of assets, including through initiatives to promote asset accumulation from a young age.

6. Respect the Citizen-Consumer

Traditionally, in its determination to protect the interests of ordinary people, the left has aligned itself with producers, and the workers involved in producing services. There is nothing wrong with this, but we must also remember that it is ordinary

people who are consumers, and who rely on services being produced. In formulating a policy on transport, for example, the left must remember that hundreds of thousands of ordinary workers and their families rely on transport services to conduct the ordinary business of life, and that their interests are as legitimate as those of the workers involved in providing the service itself.

Those who use public services are entitled to expect the highest standards of service. They are entitled to be treated with respect and to have services that are designed around their needs, rather than the needs of the service providers. Public services in Ireland need to have a better consumer focus, and social democrats need to build such a focus into its policies, where in the past there was too great an emphasis on producer interests.

Yet, at the same time, our lives cannot be reduced to purely commercial transactions. We are citizens, as well as consumers. Economic citizenship is not based on any single transaction, but entails a set of mutual obligations and rights spread over a lifetime, involving a responsibility to contribute to the common good, and a right to enjoy high quality services on an equal basis. The left must remain committed to the idea of universal services i.e. services which are provided to everyone on an equal basis as a consequence of their membership of our society, and in return for which they pay taxes. Not every service can be provided in this way, but neither can everything be cheese-pared and means-tested to the limit, without a vital element of public good being removed.

We must commit ourselves to a new social and economic citizenship that incorporates within it access, as of right, to basic services, and a basic standard of living. This must include education, housing, healthcare, and a reasonable income. Rights must, of course, be matched by responsibilities. For example, when an appropriate range of options are put in place, the obligation to be 'actively seeking work' so as to qualify for unemployment benefits should be replaced by a new condition, requiring participation in education, training or work experience.

7. Design A New Strategy For Enterprise

If we are to create the highly paying jobs and better living standards to which we aspire, the Irish economy must 'move up the value chain'. This has been described by the ESRI as 'moving from the factory floor into the laboratory and the office'. While Ireland has performed well in the production end of high-tech sectors, we need now to build up our capacities in research and development, and in customer services, so that we are involved in the creative element of modern industry, not just in producing goods that others design and sell.

From the perspective of the left, this means investment in science and technology which will create a critical mass of scientific activity in this country. We need to create an environment which will attract the best scientists in the world to Ireland, and encourage some of our most talented people to stay here. We need better links between science and industry, but we also need to maintain a role for 'public science'. In other words, there must still be a role for scientific research which pursues knowledge for its own sake, since it is through sharing of ideas that knowledge ultimately advances quickest. We also need a far greater awareness of new scientific ideas among the general population.

We also need a strategy for public enterprise. The commercial semi-states, as a sector, are now in profound crisis. While there is no doubt that Fianna Fáil and the PDs would rather privatise as many of them as they can, seven years of dithering and uncertainty have caused serious problems to some of the most important companies in Ireland. The left, however, must move away from a purely defensive posture in relation to the commercial semi-states. We must put in place a new structure to give these companies a commercial lease of life, keeping them in the ownership of the state, with the capacity to raise new capital and the freedom to develop themselves, while ensuring that strategic national assets are retained in this country. At the last election, Labour put forward a model by which this could be achieved.

8. Build A Sustainable Economy

We must build the concept of sustainability into the fabric of economic policy. We must address our obligations under the Kyoto agreement seriously, and act to protect our environment at home. This will involve difficult choices, including the introduction of a carbon energy tax, which must be matched by compensating increases in income for those on low incomes. We also need to set demanding targets for the delivery and use of renewable energy. We must undertake an audit of the states role in subsidising activities which are environmentally damaging, and seek ways to redress them.

9. Redefine the Economics of Care

Ireland has fundamental choices to make about the economics of care. Increased female labour force participation has meant that much care work, including care of children and of elderly people, which was previously carried out informally and within families has now been marketised, and the cost of care for individuals has increased. In common with other societies, Ireland must decide if care can be left largely or solely to the market, in which case it will be continue to be highly expensive, offered by lowly paid workers. The cost of care will then act as a break on further economic expansion. The alternative is to address the need for significant state intervention to

subsidise care.

This is true of care of the elderly, and also of the care of children. I believe that we must be prepared to accept that a consequence of the contribution which women have made to the Irish economy is a massively increased demand for childcare. State subsidy for childcare is vitally necessary, both to tackle the problems which the childcare crisis causes for young families, while also facilitating further economic growth. I do not accept, however, that it is for the state to dictate to families as to how they should balance work and family responsibilities. What the state should do is provide people with real choices. That means providing for up to 15 months paid parental leave divided between both parents, providing childcare for those who want it at a realistic cost, and making available opportunities for part-time and flexible working arrangements for those who want them. Childcare, however, is not simply a matter of economics. Society has an interest in the educational opportunities which early childhood education can bring, and we must make it a goal to provide a free pre-school place for every child.

10. Build A Fairer World

The Irish economy is one of the most globalised in the world. That brings difficult challenges, as we must seek to build a social democratic society that remains competitive in a global context. Ultimately, we will only achieve that aim if we work with our partners in the European Union to create a European economy that is effective in civilising global capitalism. Ireland, therefore, must be an advocate for a social Europe. Equally, Ireland has been one of the greatest beneficiaries of globalisation, and we must play a role through the EU, and through our membership of other international bodies, to promote global economic justice. We must be persuaders for fair trade, and for the implementation of the Millennium Development Goals. We must use our membership of the IMF and the World Bank to promote reform of those institutions, rather than acquiescing in their treatment of developing countries.

Conclusion

Taken together, these ten points constitute a social democratic vision for economic development, that will underpin a Fair Society. It is a clear alternative to the narrow neo-liberal ideology that had held sway over the Irish economy since 1997. It is a vision that will ensure economic growth, sustained full employment, and improving living standards. But it will also deliver a better quality of life, a more equal society. Above all, it will unlock the enormous human potential that lies within all of us, and offer new opportunities to our children.

i Table 1 below shows, for the period 1993-2002, the size of the personal tax packages introduced in each budget, as a share of GNP. These include the costs, estimated at budget time, of changes to rates, bands, allowances and exemptions limits, plus levies, and a number of significant personal reliefs, such as mortgage interest relief. These figures are an over-estimate of the size of tax reductions, since they do not exclude the cost of indexing the personal tax system for inflation. Nonetheless, the figures for GNP growth rates clearly demonstrate that the boom in the economy pre-dated the major tax reduction packages of the late 1990s. Employment was somewhat slower to respond to the pick up in GNP growth, but in fact had its strongest year in 1997, before the major tax cuts of the post-1997 Government (Mr McCreevy's first budget being for the tax year 1998/99). Note that the annual employment data on which these figures are based were collected in April of each year, before 1998, and in the three month period March to May after 1998. Hence the growth rate shown, for example, for 1993, relates to the last nine months of 1993 and the first three months of 1994. Allowance is made for the change in methodology during the shift from the LFS to the QNHS.

Year	Personal Tax Package % of GNP	GNP Growth %	Employment Growth %
1993	0.08	3.4	3.1
1994	0.68	6.3	5.0
1995	0.28	8.3	3.7
1996	0.24	7.8	3.8
1997	0.48	9.7	6.9
1998	0.76	7.6	6.4
1999	0.76	8.6	5.0
2000	1.07	9.9	2.8
2001	1.27	3.8	1.9
2002	0.61	2.0	1.6

Source: Department of Finance, Budget Booklets, various years; CSO

ii Numerous studies have found Ireland to be among the more unequal countries in Europe and/or OECD. These include the recent UN Human Development Report (2004), various studies undertaken through the Luxembourg Income Study (e.g. Gottschalk & Smeeding, 1998), or the European Community Household Panel (see Nolan, Maitre & Callan, 2000). While the Irish data in some reports may be somewhat dated, Layte, Nolan and Whelan (2004) show that relative inequality increased significantly in Ireland between 1994 and 2001. O'Reardon (2001) contains a discussion of such international comparisons.

iii National Economic and Social Council (2002) Achieving Quality Outcomes: The Management of Public expenditure