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# The Better is yet to come

## *A Social Vision and an Economic Strategy for Ireland in the 21st Century*

**Tom Healy**

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# **THE BETTER IS YET TO COME: A SOCIAL VISION AND AN ECONOMIC STRATEGY FOR IRELAND IN THE 21ST CENTURY**

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## **ABSTRACT**

In recent years, both parts of Ireland underwent a deep economic crisis that impacted on employment, incomes and social infrastructure. Although levels of prosperity exceed those of earlier generations, inequality in the ownership of wealth and in the distribution of income is likely to have increased – at least before taxes and social transfers are taken into account. Future trends in economic well-being are uncertain as Ireland adjusts to a rapidly changing world. Continuing shocks in areas such as banking, property prices, unemployment and energy supply and cost – to mention only some – are likely to constitute sources of stress for social cohesion, democracy and sustainable economies.

This paper reviews the key economic and associated social challenges in the coming three decades and suggests an overarching framework to better understand:

- why the cycle of bust and boom has not been abolished;
- what options and choices are open to communities in each part of the island; and
- how synergies on an all-island (Ireland) and cross-island (Ireland and Great Britain) basis be harnessed.

The paper is intended as a contribution to a debate on our economic future and how we can achieve very different outcomes to those experienced up to now. Underlying a vision for the 2040's is an emphasis on:

- Human rights – economic and social; and
- Security and sustainability of economic well-being which transcend conventional measures of economic prosperity.

This paper is not intended as a blueprint or a set model to be applied or rolled out. Rather, it suggests a different way of approaching public policy based on different norms and values – in practice – to those incorporated into public decision-making in the recent decades.

Although constituting two separate jurisdictions with very different characteristics and policy institutions, the Paper seeks to identify a unified perspective for the whole island and its relationship to the neighbouring island. This is without prejudice to the existing or future constitutional arrangements and preferences of any country or part thereof.

**WORDS 16,897**

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## Table of Contents

1) INTRODUCTION.....	3
2) BEFORE AND AFTER THE SHOCK - IRELAND IN A CHANGING WORLD.....	6
3) IMMEDIATE ECONOMIC CHALLENGES FOR THE REPUBLIC OF IRELAND.....	13
4) IMMEDIATE ECONOMIC CHALLENGES FOR NORTHERN IRELAND.....	22
5) SETTING A VISION FOR IRELAND AND THE EUROPEAN UNION.....	27
6) WHAT MODELS OF ENTERPRISE AND PUBLIC SERVICE ARE ACHIEVABLE IN THE 2040s?.....	39
7) WHERE TO FROM HERE AND HOW?.....	41
8) CONCLUSION.....	43

## 1) INTRODUCTION

A vision and a strategy for the economy and society of Ireland must be guided by a shared set of human values. Human rights and the valuing of these rights may stem from many different sources and philosophies but agree on fundamental principles such as (the list is not exhaustive):

- The right to life.
- The right to a living income, accommodation and other necessities.
- The right to gainful and decent employment.
- The right to education and health.
- The right to participate fully in society and to exercise democratic choice and expression including in the workplace.
- The right of workers to engage in collective bargaining with a right to employment protection.

Social equality is about equality of respect for everyone. Equality has many dimensions – economic, cultural and political (Baker, Lynch, Cantillon and Walsh, 2009). The unique dignity of each person is respected by a society founded on principles of equality. Institutions such as the State and the Market exist to serve human need and purpose: not the other way round. However, a key dimension of equality is economic equality relating to access to those resources vital to human well-being: income, employment, health, education and caring. All of these are economic goods as well as public and social goods essential for the well-being of any community. Unequal access to employment, income and education early in life, magnifies the chances of living in poverty, poor health and long-term unemployment later in life. Perhaps nowhere is the scandal of inequality so blatantly obvious as in the unequal access to essential health care and treatment. Successive Governments have contended with this issue. The fact is that we still have a strongly-entrenched two-tier health system where money matters in getting to the top of the queue for diagnosis and treatment.

It is proposed that a new course must be based on three cornerstones:

1. A sound analysis;
2. A clear vision; and
3. A sensible strategy

A sound analysis must face the difficult and unpleasant truths about what happened and why it happened. This is why detailed, careful and evidence-based economic research provides an essential ingredient of a sound analysis.

However, a sound analysis is not enough. A clear vision is needed that is based, not on pious aspirations and platitudes, but on concrete goals that can be observed, measured and contrasted. A vision for the best small country in the world in which to do business is worth it only if it can deliver:

- Full quality employment that pays secure, living wages and enables people to live with dignity, responsibility and freedom from want and shame;
- A level of care and provision of common goods such as learning, health and particular minding when we are young or old; and

- Sustainable community and physical environments in which we can bequeath to future generations an Earth worth living in.

A sensible strategy to realise these goals must take account of the strengths, weaknesses, opportunities and threats that face us. And then there are the unknown unknowns which change everything as we proceed. Writing in the Financial Times (5 August 2014) Gideon Rachman observed that in the course of that last 30 years:

*..the Berlin Wall has fallen, the Soviet Union has collapsed, China has been transformed, apartheid has ended and the internet has revolutionised communication.*

Anybody who might have predicted all of these developments as recently as the mid-1980s would have been dismissed as delusional or completely off the mark. Similarly, an expectation or projection that population would increase to over 6.4 million on the island of Ireland in 2011; that GDP per capita would be among the highest in the European Union; that a sustained period of growth, prosperity, and movement towards ‘full employment’ and peace was about to arrive from the mid-1990s onwards might have been consigned to the category of summer school madness. Yet, when the Celtic Tiger roared out through a largely unregulated financial sector and credit-fuelled property bubble in the Republic of Ireland the very few who warned of an impending large and sudden collapse were readily dismissed. Ó Riain observes (2014: 93):

*However, from that period on [2002-2003], while the rest of the economy was much slower to recover, property lending and investment expanded very rapidly and became increasingly detached from demand. Buyers and sellers chased the market in an increasing volume of sales while credit grew rapidly – most of the long-term damage to the economy was done in a relatively short number of years between 2002 and 2008, even if the conditions for a bubble have been put in place before the 2000s.*

The economic past can be a poor guide to the future.

A noticeable feature of economic development in both parts of Ireland since the demise of manufacturing industry in Northern Ireland in the post-World War 2 period and in the Republic with the opening up to trade and foreign direct investment from the late-1950s onwards has been a consistent failure by domestically owned enterprises to seize a commanding position in generating economic growth, innovation and export performance.

The result has been a lop-sided reliance on foreign direct investment in the case of the Republic and, in the case of Northern Ireland, a relatively high dependence on public service employment and direct financial contributions from the UK Government to sustain economic growth and income levels.

The risks associated with a global fall in the share of total national income going to labour as well as rising inequality in wages and other incomes is that the rich will continue to get richer, the poor will continue to be poor, young people will continue to emigrate in significant numbers, communities will remain cut off and impoverished and political power will drift to the global centres of finance capital and unaccountable supra-national inter-governmentalism. Meanwhile many individuals and families continue to pay a high price for the follies of unbridled capitalism which placed profit before people, rights of capital before rights of labour, property before homes and the fiscal rules of austerity before human rights.

If the prophetic voice of people such as the late Professor Patrick Lynch, writing in 1994, had been heeded, in Ireland, some of the harm caused in 2008 and later years could have been avoided or, at least, ameliorated (Lynch, 1994:168):

*Privitisation is a vogue word today. Too many economists are enthusing about the race towards an unfettered, unrestrained free market economy. This is worship of an unthinking consumerism, animated not by considerations of social responsibility but a desire for the fast buck and let tomorrow look after itself.*

The remainder of this paper discusses the recent past and immediate future challenges facing the economies of the Republic of Ireland and Northern Ireland (respectively, Sections 3 and 4). Section 5 outlines a vision for the future of Europe and Ireland while Section 6 deals with what sort of vision is achievable in the Republic of Ireland and Northern Ireland. Section 7 considers what policies and strategies need to be adopted, now, to bring such a vision about. Section 8 concludes.

## 2) BEFORE AND AFTER THE SHOCK - IRELAND IN A CHANGING WORLD

*The only constant is change ...*

According to Heraclitus, who lived 2,500 years ago, the only constant is change. Ireland and Europe in the first half of the 21<sup>st</sup> Century offer no exceptions to this view. Rapid changes in technology, politics, frontiers, institutions, values and in the way we live characterise the relatively prosperous (by global standards) countries of Europe. Yet, many continue to live in poverty and precariousness. Inequalities seem to be increasing in many parts of Europe including the European Union. However, a large divergence in institutional arrangements is still observed across Europe with some countries in the North continuing to practice a high degree of welfarism through a relatively generous 'social income' via public services and income protection coupled with high levels of economic productivity, innovation and competitive performance on world markets. This approach to social policy is sometimes referred to as the 'Nordic Model'. The 'Model' will be discussed in further detail in Section 5 of this paper.

*A cycle of boom and bust featured throughout recent decades ...*

The cycle of boom and bust has been a strong characteristic of the economy of the Republic of Ireland over half a century. Emerging from a period of long-term stagnation and poor growth in economic output in the decades prior to the late-1950s, the Republic of Ireland followed a pattern of relatively fast growth for much of the 1960s, late 1970s and the period of 1994-2007 interspersed by periods of crisis and heightened unemployment in the early to mid-1970s, much of the 1980s and the period of acute crisis from 2008 to 2011. Net outward migration has provided a safety release for high levels of unemployment during periods of crisis. The nature and composition of outward migration has shifted, over time, towards relatively high-skilled graduates with consequences for communities and enterprises left behind. At the same time there is evidence of a significant inward flow of migrants – sometimes highly qualified – in response to areas of specific demand as well as over-supply in other parts of the European Union.

*...with a strong attraction to property and speculative investment.*

The misallocation of capital to speculative investment, in particular, in the years immediately prior to the Great Recession of 2008-2009 was associated with typically low levels of investment by domestic enterprises in productive assets – a point stressed by Ó Riain (2014: 70) in his critique of Irish economic development:

*At the heart of Ireland's financial crisis were close ties between domestic banks and a small group of property developers in both residential and commercial property. Together, they misallocated capital in Ireland on a grand scale.*

As Rossa White (2010) has noted in his analysis of the trends and composition of investment in the period 2000-2008, a disproportionate amount of capital investment in the years immediately prior to 2008 went towards housing stock and other forms of property while productive investment was led mainly by State or EU investment and foreign private capital.

The reduction in the rate of capital gains tax from 40 to 20% in 1998 was a factor in stimulating investment – but most likely in the wrong type of capital<sup>1</sup>.

Coupled with other tax reliefs such as ‘Section 23’ property relief the measures adopted in the years leading up to the crash in 2008 added fuel to the fire with the result that there was over-investment in the wrong type of property in the wrong places. Total credit (excluding personal mortgage lending) for construction and real estate grew rapidly over the years prior to 2008. Real estate and construction accounted for 22% of total outstanding loan amounts in March 2008. The outstanding loans to these sectors represented 46% of the credit extended to Irish resident firms (Central Bank of Ireland, 2015).

*...and domestic policy failures were assisted by global policy failures in regulation.*

The boom in lending for commercial and domestic property was aided and abetted by at least two significant factors: (i) a boom in inter-bank lending involving exposure by British, US, French and German banks and (ii) positive risk assessments of financial institutions by the main ‘Rating Agencies’. These inter-linking developments supported and facilitated by misguided domestic economic policies laid the ground for retribution in 2008-2010 involving the collapse and insolvency of more than one bank, a huge hit on public finances and, to cap it all, an insistence by international creditors and nations that no corporate senior bond holder would be left behind. The collapse in market confidence in 2010 triggered the Troika ‘bailout’ programme (which was really more a bailing in of the Irish taxpayer on foot of a bailout of senior creditors, viz., British, US, German and French banks). The entire cost was transferred to Ireland and the associated programme of austerity (which was also the result of factors not directly related to banking) meant that a terrible price was paid by most Irish people. Given the large dependence on foreign direct investment as well as the vulnerability of the Republic, in particular, to the occasional ‘stop’ in capital inflows (such as happened in 2008-2010) the options for securing greater discretionary policy founded on an outward looking and dynamic domestic enterprise sector are limited.

In the case of Northern Ireland the impact of the recession has been less severe compared to the Republic. Nevertheless, the collapse in construction and the spill-over from the sharp downturn in the Republic did impact severely on Northern Ireland in 2009. The fact that the negative impact was less was due, in part, to UK-wide considerations including stimulus spending and monetary easing in the very early period of the recession. Also, the strength of public spending and employment in Northern Ireland provided buffer against the adverse effects of a collapse in demand – external and internal.

*The seeds of crisis lay in global trends and processes which affected Ireland more than most countries.*

The roots of the global crisis are complex but are likely to relate chiefly to the following:

- Emerging global imbalances in trade and capital flows mirroring changes in political power balances.

<sup>1</sup> The abolition of the ‘windfall tax’ on profits from newly rezoned land in Budget 2015 could signal a return to the future where speculative economic activity is concerned.

- A gradual undermining of many of the social gains of the post-war settlement in Europe as governments sought to ‘reform’ in particular ways labour markets and systems of social protection.
- A long-term decline in the wage-share of national income in many advanced economies implying relative stagnation in real income even prior to the crisis as well as growing income inequality (Sweeney, 2013).
- A huge growth in forms of lending, shadow banking and high-risk investment which created a new dynamic and source of instability in global markets with a deadly transmission chain linking financial institutions across the global and, ultimately, government finances through exposure to bust banks and unstable market lending to governments.

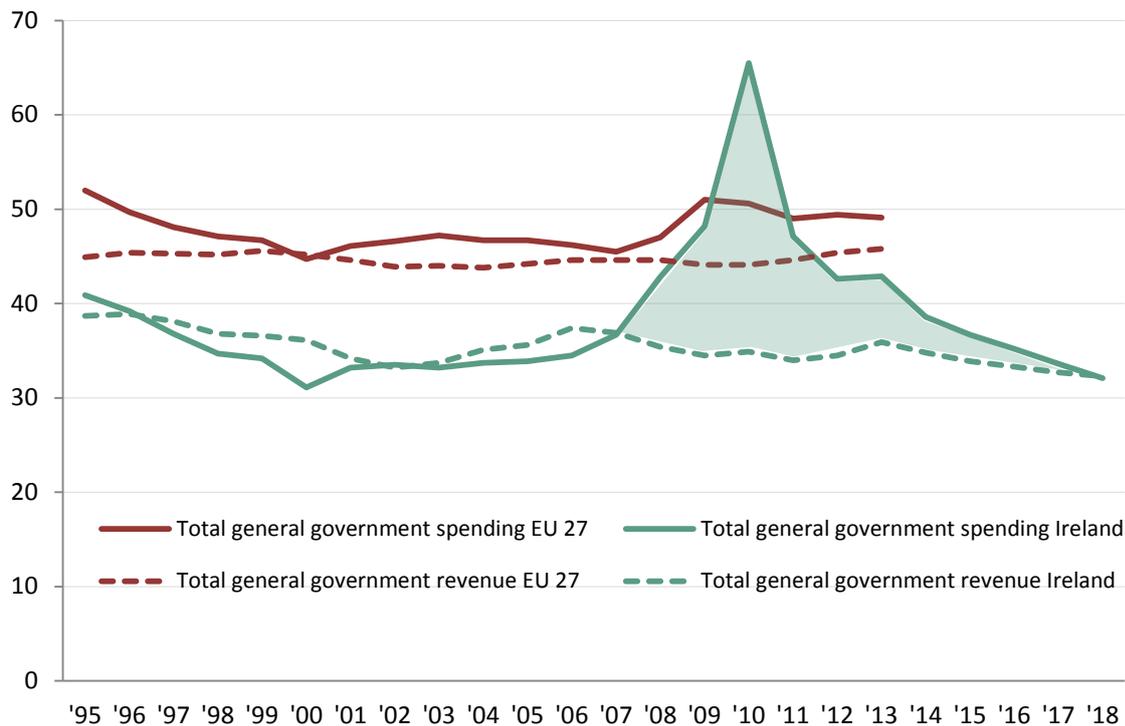
In some ways the latter two points are related: a large increase in income inequality in most major industrial economies (and it must be pointed out in many Scandinavian countries, also) was associated with (i) rising disparities between the top and lowest paid in private and public sector organisations and (ii) a decline in the share of wages in total income. This, in turn, squeezed real household incomes with a dampening effect on consumption. However, the impact on consumption was more than negated by a huge increase in debt – housing related and non-housing related especially in the US, UK and Ireland. A crash was unavoidable – it was a question of timing and degree as to its softness or otherwise. When it happened nearly all analysts apart from a handful of contrarians hugely under-estimated the scale of collapse in asset prices, confidence and investment.

*Our crisis was largely a failure of imagination. Every crisis is. For all my talk about tail risk we didn't foresee how a nationwide decline in home prices could induce panic... I got to see how much power the belief in the 'Great Moderation' had over smart people... the widespread belief that devastating financial crises were a thing of the past... We certainly could have been more prescient . . . But we were human... You cannot depend on omniscient supervisors. That's for sure: there were not and will not be any of those. (Geithner, 2014)*

*Irish fiscal crisis was triggered by a global crisis allied to an acute domestic property and banking crisis...*

A very unbalanced structure of public revenue ensured that the Republic of Ireland was hugely exposed when property-related revenues began to dry up from early 2008 onwards. Public spending was increasing rapidly but more or less in line with GDP and revenue ensuring small surpluses or government deficits until 2007 (Figure 1).

**Figure 1: Trends in public spending as a percentage of Gross Domestic Product (Republic of Ireland)**



Source: Eurostat online database and Department of Finance (2014). Figures from 2014 onward are based on ESA 2010.

The costly bailout of private banks and, effective, socialisation of their debts in the following years completed the story with a perfect storm in public finances and market confidence. By August 2010 it was clear that Ireland was headed for a bailout not because it had bailed in senior creditors but because it had bailed them out with or without international encouragement.

*The roots of domestic failure must be understood...*

The roots of the crash lay in both domestic and international circumstances including failures in policy, regulation and ideas. The failure of a coherent, sustainable and just social vision as the Republic of Ireland's economy powered ahead in the 1990's meant that the ground was laid for some disastrous failures in terms of under-investment in productive, social and organisational capital as well as damaging fiscal policies that rendered the exchequer highly vulnerable to a sharp economic downturn such as happened in 2008-09. The National Economic and Social Council (2009) correctly referred to the economic crisis of 2008-09 as reflective of five parts: Economic, social, fiscal, banking and reputational.

A lack of social momentum behind progressive social change may be linked to a number of overlapping factors including the following:

- An innate and widespread social conservatism in relation to political and social change (witness, for example, the lack of implementation of the recommendations in the 'Kenny' Report of the early 1970s on land prices)

- The difficulty of implementing radical social change on a standalone basis in an increasingly inter-connected and globalised world where free movement of labour and capital is now well established and where a huge amount of fiscal, monetary and social policy is shared at supra-national level.
- The enormous change in the balance of political power and forces within Europe and across the world.

Kirby and Murphy (2011: 31) have identified the role of a strongly populist, localist and clientalist political culture in shaping choices and responses to economic crisis:

*All the main political parties employ relatively populist language and tactics and appeal to national and community interests over class ones.*

*With a credit-fuelled property bubble substituting partially for a fall in the share of labour income...*

When the crisis hit in Ireland the ground had been laid by a love affair with land and property added to by a new love – for exotic forms of banking and risky lending which proved lethal in a short space of time. Regling and Watson (2010:34-35) noted what they termed a ‘national blind-spot’ in their account of the sources of Ireland’s banking collapse in 2008-09:

*The assessment above should help place in perspective the performance of individual institutions. It speaks to a collective governance failure, and in part it reflected an uncritical enthusiasm for property acquisition that became something of a national blind-spot. It was in this sense at least a wide political and social phenomenon, and some of the underlying misjudgements about debt and property were so embedded in collective psychology that this can be imagined, perhaps, to mitigate institutional failures to some degree.*

While mistakes were made in the period prior to the Celtic Tiger, it is important to note that these were compounded during the boom years from the mid-1990s onwards and, especially, in the final years before the 2008 crash. More than one Celtic Tiger sub-period has been identified in the 1987-2007 period (Ó Riain 2014). Bradley and Best (2012:84) have noted:

*the entirely sustainable expansion of the manufacturing sector that took place during the 1990s (the ‘real’ Celtic Tiger period) was replaced by a completely unsustainable expansion of non-internationally traded activities in the market service sector (the ‘false’ Celtic Tiger period).*

The nature of economic growth changed around the time of the new millennium. Rapid export growth and investment in productive capital gave way, increasingly, to a credit-fuelled domestic consumption boom with a particularly fast growth in construction.

*More than a crisis in governance, regulation and rules...*

The causes of the recent economic malaise go beyond failures in corporate and public governance and relate to the fundamental choices and values at the heart of political economy. There was a broad consensus, in the Republic of Ireland, which saw the new order of de-regulation or light-touch regulation from banking to planning as both desirable and unavoidable in a fast-changing and competitive world. It was assumed that everyone could be better off by

paying lower taxes and purchasing their own home, education and future pension on the basis of a share in finance capitalism. Rates of lending facilitated by exceptionally low interest rates and systematic tax reliefs and reductions in headline taxes from the late-1990s helped create the tragedy of the Celtic Tiger – that boom that lifted many people up from poverty, unemployment and emigration only to be returned to these as quickly when the boom vanished. The welcome and tentative signs of recovery in employment, retail sales, and general market confidence coupled with the exit from the bailout in 2013/14 should be treated with caution. The risk of returning to ‘business as usual’ is high as political and business culture has not shifted that significantly.

*But the problem may be fundamental to global capitalism itself...*

Various explanations have been advanced for the global downturn in 2008-09. These include references to: human ethical problems (relating to greed, dominance, patriarchy); institutional failures (relating to governance and regulation); cultural factors (relating to national stereotypes and local political culture); ideological factors (relating to the rise of individualist and neo-liberal ideas especially with the collapse of the USSR and associated States); and policy failures.

While there is some truth in some or all of the above considerations it is possible to miss a wider perspective that views the role of global capitalism as inherently unstable and ridden with internal contradictions. (Gylfason et al, 2010:16) explains the matter as follows:

*The errors committed by the management of financial institutions as well as the shortcomings in regulation and supervision of banks and other financial institutions are undeniable, but they are not at the root of the issue. The global crisis emanated from the conjunction of widespread financial fragility and a lopsided globalisation process, proceeding rapidly amidst large financial imbalances.*

*... with a continuing squeeze on wages and living standards.*

The disruption caused by the Great Recession of 2008-2009 is still seen in a continuing fall in living standards as a combination of falling average real wages at least up to 2013 combined with increased taxes and charges and a likely disimprovement in some areas of ‘social income’ as reflected in publicly consumed goods and services such as education, health and community care. Similar processes are at work in Northern Ireland where a squeeze on wages and the value of social services over a prolonged period of years has brought to a sudden end a period of sustained economic growth and optimism especially in the light of the peace process and its dividend in the previous decade.

*Recent trends in living standards impact on most households in the Republic of Ireland ...*

In the Republic, there has been a nominal fall of 18% (or 17% in real terms) in average (median) disposable household income between 2008 and 2012. A further fall between 2012 and 2014 is likely pointing towards a real cut of over 20%. The overall picture that begins to emerge is a fall of around 10% in real average wages from a peak in 2009 and a much bigger fall of over 20% in ‘living standards’ as measured by average (median) disposable household income from 2008 to 2014. The fall in household income is related to falling wages, higher taxes and lower social payments (not to mention restricted social services). Trends in real wages and in household income are related to domestic consumption, however imperfectly.

*...as well as in Northern Ireland.*

In Northern Ireland, there was an estimated 7% real average reduction in median household disposable income between 2009 (the peak year) and 2013. An inflation rate of 14% cancelled out a nominal increase of 7%. These trends are likely to have continued into 2014 pointing towards a real cut of around 10%. Northern Ireland households have taken a less severe hit than households in the Republic over the course of the recent recession but the baseline is lower in the North (by a factor of very approximately a third when currency is taken into account). Particular groups have been hit more than others. These include those who lost their jobs or bought a home and borrowed heavily at the wrong the time. In addition, young people and migrants, in particular, suffered severe impacts in terms of access to employment and loss of income and dis-improvement in conditions.

While it may be possible to partially tame global capitalism and associated labour, social and environmental damage at a national or regional global level it is difficult to see this as possible at world level given national rivalries and divergences in the interests of capital and labour as well as the cross-cutting nature of environmental change. A fundamental shift in structures of ownership, control and democratic participation may be the only solution to this problem. This question will be considered further in Section 7.

### **3) IMMEDIATE ECONOMIC CHALLENGES FOR THE REPUBLIC OF IRELAND**

#### ***Medium-term economic prospects***

The publication in 2013, by the Economic and Social Research Institute, of its Medium-Term Review outlined a number of future scenarios driven by developments in the European Union (Conefrey et al., 2013). Their outlook was condensed into three scenarios:

- Strong recovery
- Delay recovery
- ‘zombie’ stagnation.

Only under a strong recovery scenario with average real annual growth in GDP in the Republic of Ireland staying close to 4% from 2015 onwards could unemployment be lowered to below 10% (by 2017) and the Government deficit brought into a surplus (by 2018). As matters have evolved over the last two years since the ESRI analysis was completed, it looks as if the strong recovery scenario, at least so far, holds up. But, this is not for the same reasons as assumed by the ESRI, in 2013. Rather, a strong recovery in export demand in the US and in the UK has helped the Irish recovery and not any signs of significant recovery in the Eurozone countries, so far. Hence, the short- to medium-term outlook remains very contingent on favourable international circumstances including the absence of any sudden disruption in trade or investment in the Eurozone area. The activities of multinational companies and the shifting of profits or the location of exporting activities can also impact on statistical measures of both GDP and GNP. The prospects for labour market and fiscal developments out to 2020 for the Republic of Ireland remain very uncertain and contingent.

#### ***Emerging demographic trends***

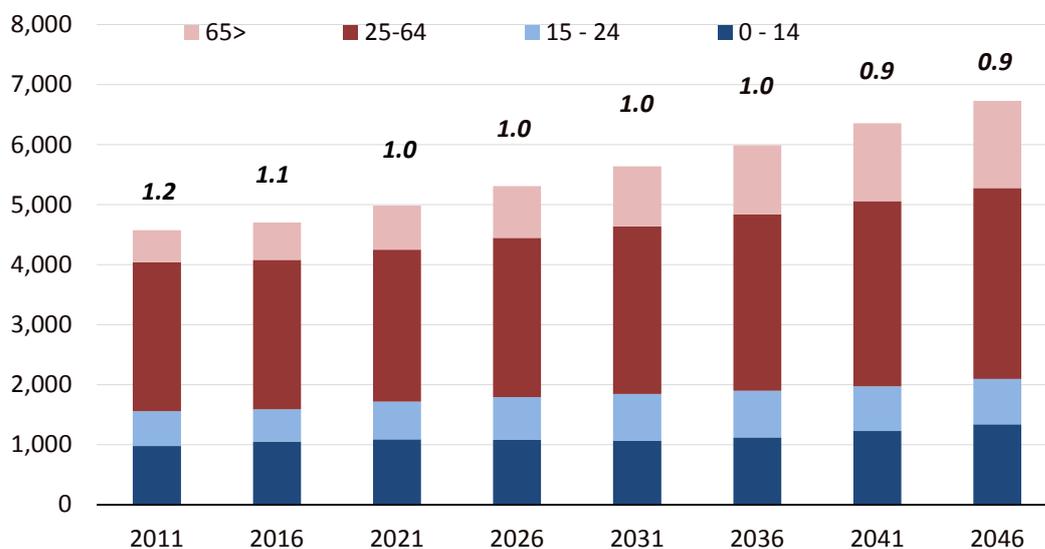
The total size of population resident in the Republic of Ireland has risen rapidly since the early 1990s reflecting a combination of fertility, mortality and migration changes. The rate of growth has slowed considerably since 2008 reflecting the resumption of net outward migration – albeit at a lower rate as measured relative to 1,000 of population – compared to the 1980s or 1950s when large-scale net outward migration occurred. The total number of births remains at a very high level – the highest since the late 19th century even though the fertility rate is close to, or slightly below, the replacement rate. A changing population structure with a larger number of women in the 25-40 age bracket coupled with a very modest recovery in the fertility rate since the 1990s has pushed births up to an annual rate of 70,000 or higher in recent years.

The latest population and labour force projections issued by the Central Statistics Office (2013) indicate a number of possible scenarios and population outcomes up to the year 2046. All of these envisage some growth in total population between 2011 and 2031 and out to 2046. The projected population depends on assumptions regarding births, deaths<sup>2</sup> and migration. These show a range of 4.9 million to 5.6 million persons in 2031 and a range of 5 million to 6.7 million in the year 2046. Population in 2011 was estimated at just under 4.6 million. The population age-structure will change depending on what patterns of migration, mortality and fertility prevail.

<sup>2</sup> Only one scenario in relation to mortality was used by the CSO.

The projection of a larger and older population has implications for social spending and public services. On a static basis, assuming constant or even declining labour force participation rates, it is estimated that ‘age-related’ public expenditure<sup>3</sup> will increase from a projected figure of 29.4% of GDP in 2015 to 33.6% in 2060 (on the assumption of a fall in labour force participation and a modest level of net outward migration). However, ‘age-related’ public spending is not expected to increase significantly between 2015 and 2030 (Department of Finance, 2014: 35). Ireland (North and South) has a demographic advantage over many other European regions in so far as Ireland experienced a late fall in the number of births followed by a stabilisation in the numbers during the last two decades. A demographic ‘slow-start’ of approximately 15 to 20 years compared to most other European countries means that the full pressure of ageing societies will not be felt until about the middle of this century. This is in spite of a growth in the number and proportion of persons aged 65 and over in the immediate years ahead. The impact of more older people in the population is offset against a rise in the size of the ‘working-age’ population (aged 15-64). Figure 2 shows a scenario based on fast growth in total population from 4.6 million to 6.7 million in 2046. Under this scenario, the ‘working-age dependency ratio’ falls, gradually, from 1.2 to 0.9. However, the proportion of 65 year old and over rises sharply from 11.6% of total population in 2011 to 14.7% in 2021; to 17.8% in 2031 and to 21.6% in 2046. These projected increases will place new and additional pressures on public and private costs of pensions, health, long-term care and suitable accommodation.

**Figure 2: Projected Population in the Republic of Ireland (assuming fast population growth) - with ratio of working age persons to others**



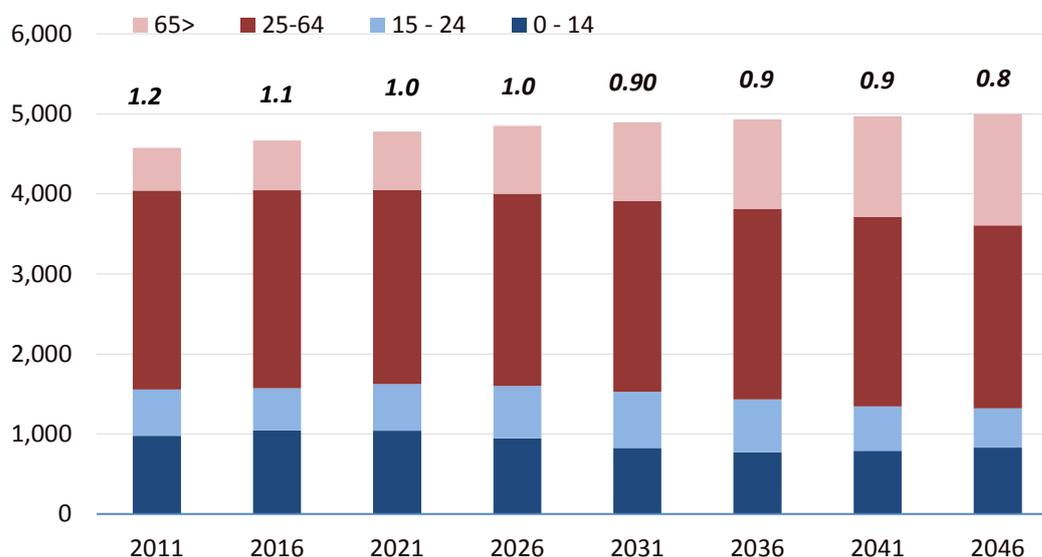
Source: Central Statistics Office (2014). Scenario M1F1 is used. This implies a resumption of a net inward migration from 2016 and a stabilisation in the fertility rate at a level close to replacement (2.1).

Note: The ratio of working-age persons to others is calculated as the total projected population aged 25-64 to all other persons. For every 10 persons under the age of 25 or over the age of 64, in 2011, there were 12 persons in the age-bracket 25-64. This ratio is a crude estimate of the age-dependency ratio since the population at work spans a wider age-group and many persons in the 25-64 age-group are not in paid employment.

<sup>3</sup> Includes public pensions, health and education.

An alternative demographic scenario based on slow population growth is presented in Figure 3. Underlying this latter scenario is an assumed fall in the fertility rate to 1.8 in 2026 and a continuing net outward migration flow albeit at a much lower level than experienced during the period 2008-2014.

**Figure 3: Projected Population in the Republic of Ireland (assuming slow population growth) - with ratio of working age persons to others**



*Source: Central Statistics Office (2014). Scenario M3F2 is used. This implies a resumption of continuing, but very modest, net outward migration beyond 2016 and a gradual fall in the fertility rate to level of 1.8 in 2026 after which it remains stable.*

Under the scenario of slow population growth (Figure 3), the proportion of older persons (aged 65 and over) increases at a faster rate than under the alternative scenario. The proportion increases from 11.6% in 2011 to 15.3% in 2021, 20.1% in 2031 and 27.9% in 2046. There is considerable uncertainty, therefore, in the final outcome as patterns of migration and fertility are difficult to foresee and are related to many other factors (economic, social, cultural, environmental). It is highly likely that in the event of a strong economic recovery in the Republic of Ireland and the avoidance of another 'lost decade' in a future economic shock that inward migration will resume on a significant scale. This will ease, somewhat the pressure of an ageing population. However, the health, pension and other costs associated with ageing will be considerable no matter what demographic scenario is assumed.

It is worth noting that population projections at European level (for all 28 EU Member States combined) indicate an increase in the proportion of population aged 65 and over from 18% in 2013 to 28% in 2046 (main Eurostat demographic assumptions). Clearly, the Republic of Ireland has a very different age-structure and is not likely to reach average EU28 proportions of older persons for at least another decade.

In short, the Republic of Ireland has a ten- to fifteen-year lead-in period advantage over other EU Member States to address the social policy implications of ageing.

Policies need to be developed to anticipate, plan for, and provide for social needs as populations age. This also needs to account for the uncertainty in regards to migration flows where a

resumption of significant inward migration (not allowed for in the EUROPOP2010 population projections used by the Department of Finance (2014) is possible given changing economic conditions and the long-term impact of climate change in neighbouring continents. A key element in responding to both increased population and ageing will be the need to further increase the 'employment rate' in the 'adult working population'. This is measured as the percentage of 20-64 year olds who are in employment as measured in the European Labour Force Survey. It will also be important to examine and revise arrangements for an increase in the standard retirement age of 65 where circumstances require it. Given higher life expectancy and revisions to the eligibility age-threshold for the state pension planned in the future it will be important to expand, in some areas of the labour market, opportunities for voluntary extension of working life to beyond the age of 65.

### ***Emerging technological trends***

Rapid changes in technology are transforming the way we live and the manner in which businesses trade and communicate. New and faster connections facilitate a rapid exchange of information as well as a consolidation of huge stores of data that transcend national boundaries and regulations. There is the advent of 'real time' technology that can transform the way public and private services are delivered and products and services purchased from hand-held devices in most parts of the world. These changes have reinforced globalisation and trade and have impacted on the structure of demand for skills and knowledge. Many back-office jobs can be located to far distant locations on the globe, while the crucial role of digital literacy and capacity in almost all walks of life and commerce is greatly enhanced. Systems of education, public administration, security and business are scarcely able to keep pace with the speed and depth of change.

Anyone considering future evolution of technology in the mid-1980s (for example) would never have guessed the extent, scale and nature of innovation that has occurred where little computers lie in our pocket and we can watch TV, chat with someone on the other side of the world through Viber or Skype and where we can conduct our banking business by means of a few clicks. Yet, significant digital divides exist within advanced economies and post-industrial societies with particular groups less likely to access new technology for reasons of finance, training or habit. New digital technologies, although spreading rapidly across the globe, have not yet reached billions of citizens in poorer regions of the globe.

The revolution in technology is not confined to the digital world. Huge changes in manufacturing, outsourcing, off-shoring and the rise of borderless companies transferring activities across frontiers and booking their profits and tax bills in different locations have greatly complicated the nature of production and political control. Globalisation in trade, finance and knowledge has had mixed effects. In some cases it has helped transform – for the better – living standards and conditions of education and health. In other cases, it has triggered rising inequalities, displacement of workers, impoverishment of particular regions and countries as well as causing long-term environmental damage. Every perceived benefit comes with an economic, social and environmental price. Changes in the organisation of production and relocation of activity have undermined, in many cases, employment rights and standards with a rise in precarious, outsourced, self-employed work patterns. While these changes have been acclaimed as adding to human choice and flexibility as well as enhancing freedom of movement and competition they have, unchecked, spread insecurity and a breakdown in social

solidarity where new workers experience inferior conditions, terms and pensions rights compared to previous generations.

### ***Emerging climate and energy trends***

The problem of climate change, energy supply and energy cost combine to provide a huge challenge to societies across the globe. For Ireland, the challenge is twofold:

- Anticipating and preparing for changes in energy supply and cost in the future including unforeseen or sudden disruptions to supply or cost of imported energy; and
- Modifying human behaviour and public policy as part of a global and local ethic to protect the planet and leave a better world for future generations.

Change in attitude, behaviour and public policy is a long-term and complex project. However, because it is long-term and complex does not argue for postponing the task. It remains vital and urgent. Climate change and the associated issues raised constitute, it is argued, the greatest single challenge for societies in the 21st Century. This needs to be reflected in political economy and in public policy across the globe. Waiting for international agreement is not an option. An overriding priority must be to significantly reduce greenhouse gas emissions over the coming 15 years. New targets need to be set for the period to 2040 and policy monitored and evaluated regularly.

The weight of scientific evidence strongly indicates that a long-term and profound shift has occurred in global temperatures and this is likely to be related, among other possible factors, to an acceleration in the burning of fossil fuels since the onset of the industrial revolution. The decade ending 2010 was the hottest on record. The European Commission has stated that:

*CO<sub>2</sub> is the greenhouse gas most commonly produced by human activities and it is responsible for 64% of man-made global warming...the current global average temperature is 0.85°C higher than it was in the late 19th century. Each of the past three decades has been warmer than any preceding decade since records began in 1850<sup>4</sup>.*

The prospects for international agreement and corresponding action to significantly limit and reduce CO<sub>2</sub> emissions within the next ten years appear to be negligible – this in spite of the growing evidence that such emissions will lead to an irreversible and disastrous rise in temperatures with consequences for global balance and societies near and far. There is a moral imperative on all countries to cooperate in this matter as well as give a lead through example in addressing the underlying causes – which are political and moral as much as technological and financial in nature. While a totally decarbonised economy may not be feasible, more rapid progress in the right direction is needed and much greater priority needs to be accorded to this goal. Ireland's pattern of growth in the decade was characterised by a relatively high carbon content. At 12.6 tonnes of CO<sub>2</sub> equivalent per capita, the Republic of Ireland was 40% higher than the EU average of 9 tonnes of CO<sub>2</sub> equivalent per capita in 2011. Agriculture accounted for 32% of Ireland's greenhouse gas emissions in 2012 (source: European Environment Agency).

*... recession helped reduce, temporarily, gas emissions.*

<sup>4</sup> [http://ec.europa.eu/clima/change/causes/index\\_en.htm](http://ec.europa.eu/clima/change/causes/index_en.htm)

A modest fall in total net greenhouse gas emissions in the Republic of Ireland from a peak of 125 in 2005 (base year 1990) to a level of 105.9 in 2012 is welcome. This leaves the Republic marginally below the 2012 Kyoto target of 113. However, further progress is needed especially as some of this fall was clearly related to the sudden disruption in economic activity in 2008. Between 1990 and 2013 total energy consumption in the Republic increased by just over 49% (Sustainable Energy Authority of Ireland, 2015). Progress towards the Kyoto target, in the case of the Republic, has been very slow compared to the EU28 average which was 81% of 1990 levels in 2012. The UK level was 75% in 2012. Levels of energy intensity as measured by gross inland consumption of energy divided by GDP (at constant 2000 prices) fell in the years up to 2007 but have increased a little since then. On the positive side levels are lowest among all EU Member States. Levels of acid rain precursor emissions here has been trending downwards since 2000 to reach a level just slightly above the Gothenburg Protocol target emissions level in 2010.

Gradual progress has been made in a number of areas of environmental policy as noted by the Central Statistics Office (2012): 'The percentage of waste recovered in Ireland rose to 38% in 2010, from just under a quarter in 2003, and 53% of waste was landfilled.' While the rate of waste recovery is not far from the EU average there is scope for significant further improvement given rates in excess of 50% in some EU States in 2010.

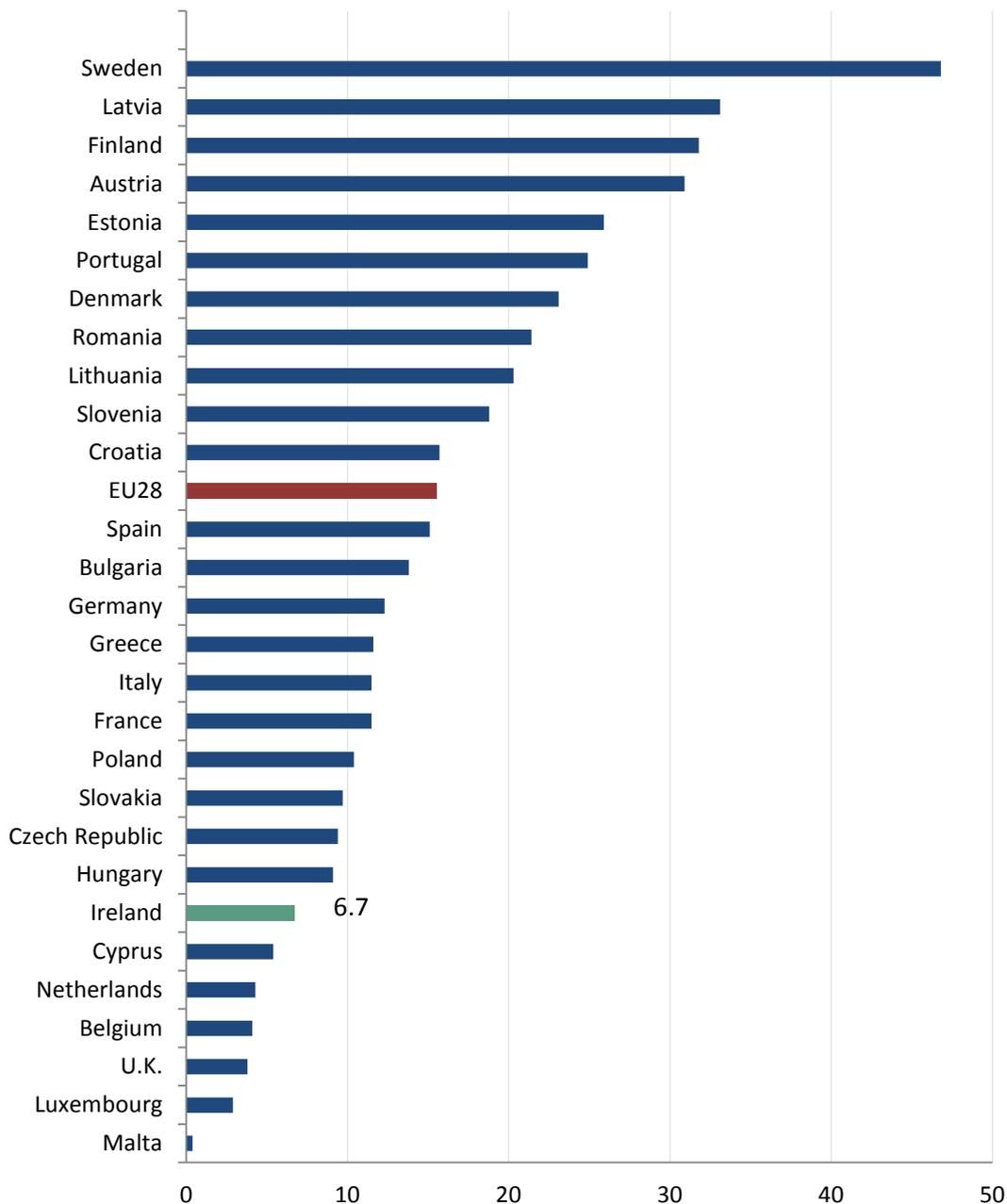
Eurostat measures energy dependency as net energy imports divided by the sum of gross energy consumption. The figure for the Republic of Ireland was 85% in 2012 compared to 53% on average for the EU27. Only the islands of Cyprus and Malta together with the Duchy of Luxembourg had higher rates than that of the Republic of Ireland. Given the exceptionally high dependence by the Republic of Ireland on fossil fuel imports it is clear that changes need to happen to patterns of consumption, production and energy use and importation.

A sudden shock to the global economy arising from a hike in energy costs could have a disproportionate and destabilising effect on Irish economic conditions. While there is the possibility that energy supplies may not necessarily be as constrained as feared some years ago due to the possible development of new sources through oil and gas finds off the Irish coast or through the development of new technologies and sources in other countries, the high dependence on imports of oil and gas is not desirable. While the development of nuclear power or shale extraction (fracking) have been cited by some as necessary alternative sources of energy in Ireland the case for this has not been convincingly established given the environmental and other risks associated with such developments. Investment in renewable sources of energy is justifiable from the standpoint of diversifying energy sources in a way that reduces our exposure to external shocks as well as ensuring a more ecologically friendly form of energy consumption. However, the costs of investment in renewable energy are considerable and depending on the form used may have undesirable impacts for some communities (such as, for example, the establishment of inland wind turbines).

Alternative renewable energy production forms are still in their infancy. Future technological change may open up safer, quicker, more stable and lower cost options. Investment in renewable energy is, therefore, an important component of a medium-term strategy but not a panacea. Changes in climate with associated extreme weather events over the medium- and long-term will require additional investment in repair, adaptation and preventive measures to address this.

The share of renewable energy in total gross final energy consumption is shown in Figure 4 below. The European Union has an agreed target of 20% by the year 2020 with a sub-target of 16% for the Republic of Ireland. While the share of renewables, in 2011, was well below the EU average, the proportion of renewables in electricity generation, here, was close to the EU average (19% compared to an EU average of 20%).

**Figure 4: Percentage share of renewable energy in gross final energy consumption (2011)**



Source: Eurostat [[tsdcc110](#)]

### ***Indigenous domestic enterprise remains weak***

Developing new exporting enterprise based on strong indigenous small and medium-sized enterprises and some large ones competing on global markets where Ireland could develop further its competitive advantage in key product and service areas (e.g. natural resources of wind, grass and water, agri-business, English language education, health services and construction services).

A failure of native enterprise has been the lack of a sufficiently strong local market for products and services that could serve as centres of innovation and expansion (O'Hearn, 2001). Jacobson (2013) has reviewed the evidence in relation to innovation policy and performance in Irish companies (in the Republic of Ireland). An innovation is referred to in the EU Community Innovation Survey as:

*A new or significantly improved product (good or service) introduced to the market or the introduction within an enterprise of a new or significantly improved process (Jacobson, 2013:47).*

The picture is mixed with variations in effort and outcomes by sector and company size and ownership. While total Gross Expenditure on Research and Development (GERD) is close to European averages it is well below that of the Nordic countries. GERD includes business, government and higher education funding. Not surprisingly, a large amount of GERD effort, in the case of the Republic of Ireland, is concentrated in foreign owned firms. Private business funding of research and development in the higher education sector is lower in the Republic of Ireland than elsewhere. Application for patents data suggest that the Republic of Ireland is well below the EU average. Another indicator of innovation activity is use of venture capital funding by enterprises where Irish companies perform well below EU averages. While care is needed in cross-country statistical comparisons, it appears that total innovation activity (as a percentage of company turnover) is below average in the Republic of Ireland. However, the estimated proportion of GDP spent by enterprises on innovation activities is relatively high in the Republic (CSO, 2014). Moreover, above-average rates of innovation activity in Irish enterprises were identified in the EU Community Innovation Survey for the period 2008-2010.

More recent data published by the Central Statistics Office (2014) shows foreign owned enterprises accounted for 63% (or €2.3 billion) of all innovation-related expenditure in 2012. Of this €1.3 billion was for in-house R&D. Almost 34% of Irish owned enterprises reported innovation related expenditure in the reference period compared to 46% of foreign-owned enterprises. Innovation is strongly related to enterprise size as one in three small enterprises (10-49 employees) reported spending on innovation, while two out of three large enterprises (250 employees or more) had such expenditure in 2012. As noted in recent publications of the EU Industrial Research and Development Investment Scoreboard, 17 companies based in Ireland are included in the global R&D ranking of 2,500 companies.

Many (though by no means all) domestic enterprises have lacked critical size, incentive or support to invest in upskilling, research, innovation and exporting. In 2011, the top 50 enterprises in the Republic of Ireland accounted for 35% of total turnover; 41% of total gross value added; and 61% of total gross operating surplus (Dalton, 2014). In the five-year period from 2005 to 2013, industrial production grew by 20% in firms classified by the CSO as 'modern' while it declined by 14% in 'traditional' firms over the same period. Just as productivity is lower in traditional and indigenous firms, so are wages. Linkages between

multinational companies and domestic enterprises are weak as the bulk of inputs to multinationals is imported.

#### **4) IMMEDIATE ECONOMIC CHALLENGES FOR NORTHERN IRELAND**

##### ***The role of the private sector in economic renewal***

The economy of Northern Ireland is heavily dependent on the public sector. Levels of spending and employment in the public sector, as well as firms and businesses supplying to the public sector is vital to the overall development of the region. While Northern Ireland continues to lag behind other regions levels of unemployment, under-employment, poverty, personal indebtedness and exclusion from the labour market point to a need for a coherent and politically realistic strategy to rebuild Northern Ireland's economy and society around a different vision that can be shared by all communities. A debate centered on 'rebalancing the economy' away from the public to the private sector risks missing the insight that a combined and mutually reinforcing strategy to develop both components of the economy—including voluntary or not-for-profit sectors that provide important goods and services—is required. It does not follow that the public sector, by stepping out of its former or current roles, opens up a space for more private sector activity. A strategic and focussed role for Government and various public agencies could release important local skills and resources and attract partnerships with companies and agencies in other parts of the world. By contrast, a vision focussed on a low-wage and 'flexible' labour market model (where hiring, firing and contractual arrangements are to the advantage of employers only) would leave Northern Ireland very vulnerable to external shifts and shocks and would not point towards a more egalitarian, participative society.

Northern Ireland has not recovered from the demise of manufacturing industry in the post-war period. The legacy of the troubles combined with a lack of inward investment and indigenous enterprise to replace declining sectors has left the region vulnerable to economic shocks while losing its relative position compared to other parts of the UK. The immediate challenges are not dissimilar to those facing the Republic of Ireland in terms of under-employment, lack of sufficient investment and innovation alongside inadequate levels of skill and organisational capacity. A strategy to boost investment and generate new, better quality, jobs must involve a range of policies and not rely mainly or exclusively on one particular domain, such as attracting foreign inward investment. Small and medium-sized enterprises will continue to provide the bulk of employment in Northern Ireland. However, there is a need to develop particular areas of enterprise in this sector with appropriate public sector support and funding. Rather than identifying market 'winners' the role of public sector support could be tailored to provide a significant boost to basic research (MacFlynn, 2014).

Maintenance of a low corporation tax (or its further reduction in the case of Northern Ireland) does not constitute a sustainable (or globally ethical) strategy to promote economic development in the medium-term. The administrative complexities involved in implementing a special low rate for Northern Ireland will impose burdens on companies and public agencies. Certain activities including back-room office work to financial services are excluded from the scope of the proposed legislation in early 2015. There is no compelling evidence that such a tax cut for corporations will stimulate inward investment on a scale required to transform industry and services in Northern Ireland. Paradoxically, the additional restrictions on public spending in areas such as education and training, roads and other areas of social and environmental infrastructure may harm the Northern Ireland economy in the long run.

Inward foreign direct investment is an important source of growth, but good enterprise policy requires a more diversified approach. There is potential for a state-led approach to industrial planning. This would seek to identify new opportunities that enhance export potential and ability to compete in the domestic market.

Although dated in some respects, the analysis of Porter (1990:671) still holds true:

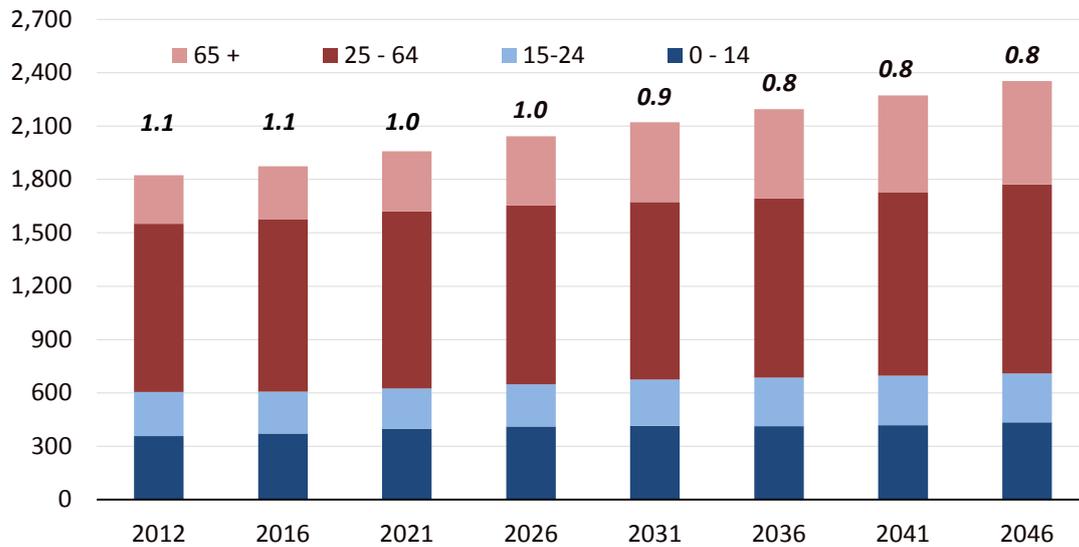
*Except when it is largely passive, widespread foreign investment usually indicates that the process' of competitive upgrading in an economy is not entirely healthy because domestic firms in many industries lack the capabilities to defend their market positions against foreign firms...Inbound foreign investment is never the solution to a nation's competitive problems.*

Addressing the Annual Conference of the (then) Confederation of Irish Industry in 1992, the late Sir George Quigley stated: 'I find no difficulty with the proposition that Ireland is - or should be - an island economy.' Progress towards an all-island economy has been very slow – notwithstanding the 1998 Good Friday Agreement and subsequent developments and establishment of new cross-border institutions. Areas that could be developed further in terms of cooperation, marketing and state support include: renewable energy, transport, particular health services and education.

### ***Emerging demographic trends***

The total size of population resident in the Northern Ireland has risen more slowly since the early 1990s compared to the Republic of Ireland. This reflects a different combination of fertility, mortality and migration changes. The latest population and labour force projections issued by the Northern Ireland Statistical and Research Agency (2014) indicate a number of possible scenarios and population outcomes up to the year 2046. In Figure 5, a relatively fast growth in population is projected based on a set of assumptions on fertility (a rise to 2.2) and migration (with 4,500 more emigrants per annum from 2020 onwards). This yields a growth in total population from an estimated 1,824,000 in 2012 to 2,354,000 by 2046.

**Figure 5: Projected Population in Northern Ireland (assuming fast population growth) - with ratio of working age persons to others**

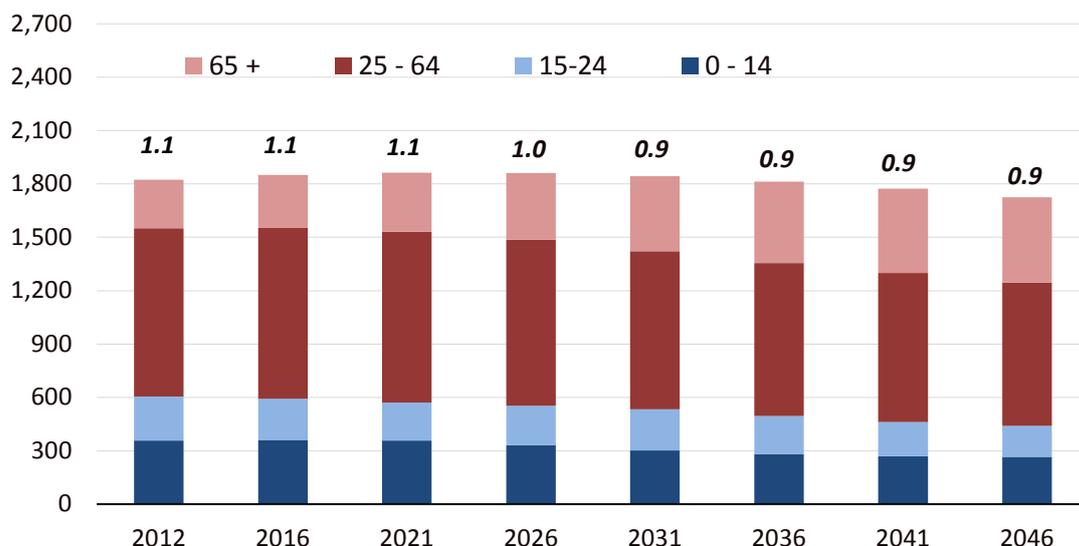


Source: NISRA (2014).

Note: For an explanation of the working-age dependency ratio refer to the footnote for Figure 3, above.

An alternative demographic scenario based on slow population growth is presented in Figure 6. Underlying this latter scenario is an assumed fall in the fertility rate to 1.8 and a continuing net outward migration flow albeit at a much lower level than projected in the high-growth scenario.

**Figure 6: Projected Population in Northern Ireland (assuming falling population) - with ratio of working age persons to others**

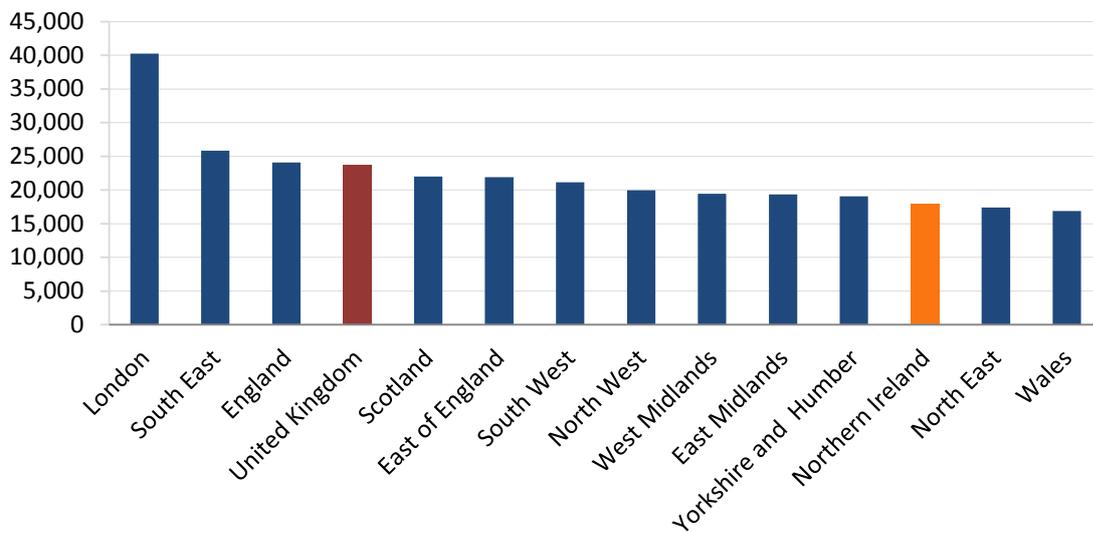


Source: NISRA (2014).

*Current political and fiscal challenges*

A degree of political instability and uncertainty allied to the problems posed by a policy of fiscal retrenchment means that a coherent strategy to promote industrial renewal, investment in skills and research is likely to be hampered. Emerging from a process of de-industrialisation and the legacy of a prolonged civic conflict Northern Ireland is at a cross-road. Highly integrated into the United Kingdom economy it benefits and loses from general macro-economic and fiscal developments in the UK as a whole. However, it shows lower levels of productivity and living standards. However, as of 2015, indications of continuing and deepening austerity are very much present and form an ingredient of the Stormont House Agreement of 2014.

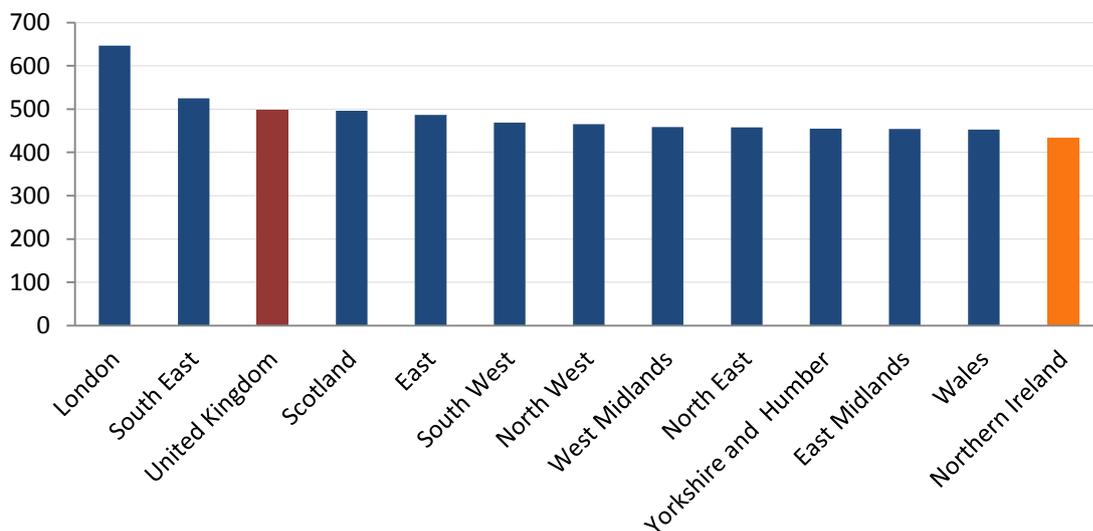
**Figure 7: Gross Value Added in Regions of the United Kingdom, 2013 (£)**



Source: Office of National Statistics (UK).

Similarly, reflecting shortfalls in productivity and living standards, average weekly earnings are lower in Northern Ireland than elsewhere in the UK.

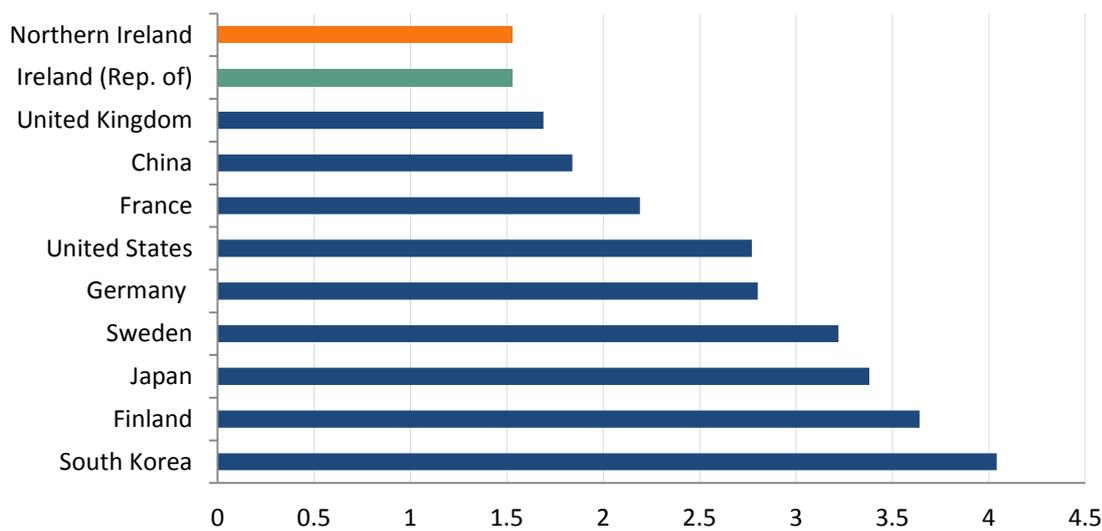
**Figure 8: Average (Median) Weekly Earnings in Regions of the United Kingdom, 2014 (£)**



Source: Annual Survey of Hours and Earnings (UK).

A major challenge for enterprises in Northern Ireland is a deficiency in leadership and management skills which are below the level in comparable companies in other developed economies. Data from [DETI Management Matters](#) indicate that 'over half (52%) of the gap with US is due to structural factors such as firm size, ownership and skill levels'. Productivity as measured by Gross Value Added per person employed is relatively low in sectors such as business services, finance and ICT. Northern Ireland remains much less export orientated than the Republic of Ireland. In terms of input and investment, total spending on R&D remains very low in Northern Ireland. Externally-owned enterprises account for 75% of R&D investment.

**Figure 9: Gross Expenditure on Research and Development in various countries/regions as percentage of GDP, 2011.**



Source: Eurostat and OECD

Business Enterprise Research and Development (BERD) remains low in local and small enterprises. One area where Northern Ireland does comparatively well, in UK terms, is in the number of spin-off companies from Higher Education Institutions where the rate is four times that of the UK average. However, public agencies such as Invest Northern Ireland have been successful in helping thousands of enterprises to take off from aerospace to ICT to renewable energy.

The reasons for a relatively weak domestic enterprise sector in Northern Ireland are complex. The decline in traditional manufacturing, textile, shipbuilding and associated engineering firms in the post-war period was not accompanied by a sufficient growth in replacement enterprises. A combination of demographic and political factors was associated with a relative increase in the size of public administration. Long-term constraints and under-supply of export or enterprise expertise has been exacerbated by the credit crunch facing many small and medium-sized enterprises in recent times. While there have been outstanding successes across Northern Ireland there is, still, a deficit by way of a strong enterprise sector that can lift Northern Ireland's economy.

## 5) SETTING A VISION FOR IRELAND AND THE EUROPEAN UNION

*Well-being ought to be at the core of economic and social policy....*

In considering a vision for Europe it is important to focus on all aspects of human well-being and not just those aspects that fall within the current scope and definition of Gross Domestic Product, or indeed, those areas of economic activity that are readily measurable or capable of being transformed into monetary value estimates. Canadian economist Lars Osberg (2001) was instrumental in pioneering the term economic well-being which is composed of four components:

- current per capita consumption flows;
- changes in capital stocks (including natural and human) with an adjustment for an estimated social cost of environmental degradation;
- changes in income distribution; and
- changes in economic risks (as measured by economic insecurity from unemployment, ill health, single parent poverty or poverty in old age.)

A challenge for the future is whether an improvement in human well-being – understood as a broader concept than just measuring money, income or GDP – can be assured while critical dimensions of our social, human and natural environment are under threat. A commitment to investment and growth in GDP – as it is currently measured and composed – may be viewed as both desirable and unavoidable to get people back to work and to address household and government debt mountains. However, in the long-term (the coming decades) pressure on natural resources including fossil fuels allied to the clear evidence on rising global temperatures mean that an alternative model of development is needed. For individuals, families and communities this could mean greater flexibility of paid working hours, a different sharing of caring work in the community and at home and a shift in lifestyles and modes of consumption and production.

Given that both parts of the island of Ireland are closely connected with the world economy and, in particular, the European economy, it is important to consider the current state and direction of political economy in the European Union. From an initial cautious project to integrate the markets of six European countries in the 1950s in the wake of a huge tragedy that was World War II, the initiative has developed to a point where 28 states are members of what is now called the European Union. It is a political and economic project encompassing 500 million citizens and over 20% of global economic activity. The Union includes a diverse range of countries, of which 14 member states were not Western parliamentary democracies in 1970. The move to create a single currency – the Euro – in 2002 with attendant integration of monetary policies and strict oversight of fiscal policies has signalled important shifts in the degree to which any member state can adopt policies or laws at variance with those agreed by international treaty or by the rules and laws of the European Union and its various institutions.

A key challenge for any society is to enable all of its citizens to provide for themselves the goods and the means to live a life that they value. Individual freedom, family and community bonds and civic rights and responsibility are vital and indispensable elements of human well-being. Research on the determinants of individual well-being place huge emphasis on the role of employment and strong inter-personal ties among other factors. The two are related. Creating

and sustaining employment that provides for human need and dignity must be a primary goal of any society focussed on the well-being of all its members. But care is needed in not defining employment too narrowly as activity orientated towards paid work. Political economy is about all types of economic behaviour including non-paid but vital work to care for others and contribute to the community. That said, paid work in what economists call the 'labour force' is vital to social progress.

*The European project is under strain....*

Membership by Ireland and the UK of the European Economic Community in 1973 had a profound impact on the economies and societies of these countries. Many of the improvements in social and labour market conditions have been associated with membership of the European Union – notwithstanding opt-outs by the UK in some areas of social and labour market policy. The enlargement of the European Community over the years as well as the shift in political balance from the 1980s onwards has drawn the European Union towards a model of political economy that is seen to be strong on competition, deregulation and fiscal orthodoxy and weak on social aspects of economic policy. The dominance of fiscal conservatism, especially from 2010 onwards, in response to the financial crisis of 2008-2009 has placed huge strains on European solidarity. It has also been accompanied by a rise in 'inter-governmentalism' to the detriment of a 'union of equals'. Although parts of Ireland benefited economically, politically and culturally from membership of the European Union (or its preceding names) over many decades the crisis of 2008-2010 brought into sharp relief three developments:

- The dominance of particular national capital interests to the detriment of European solidarity in deciding who would share the burden of the Republic of Ireland's failed banking system;
- The ascendancy of a neo-liberal ideology which governed the various 'reforms' of labour markets and public finances in the subsequent 'bailout' or adjustment programme of the Troika; and
- The weakness of national policy in 2010 making following irresponsible policies in regards to lending, tax-cutting and deregulation or light-touch regulation in the years immediately prior to 2008 allied to the equally irresponsible lending by British, German, French and US banks on the wholesale banking markets during the boom years.

Writing in 2011, Kirby and Murphy (2011: 159) described the Irish experience of Europe in the following terms:

*The burden being imposed on Irish taxpayers to ensure that European banks get repaid for their risky investments at the cost of a lengthy period of severe austerity for Irish citizens shows the extent to which the EU now functions as a mechanism for protecting the economic interests of large companies rather than the social interests of citizens.*

Recent trends across the European Union are of concern especially as elected governments in some cases have been replaced by mainly technocratic administrations subject to much larger external surveillance and pressure than ever before. If the international markets for borrowed funds are not enough to discipline particular countries then various international bodies are mobilised to enforce a range of policy innovations that lead to an erosion in social solidarity and a privatisation of the public sphere.

As in other parts of the world, Scandinavian countries are subject to intense competition and global pressure on all fronts making it a challenge to maintain high levels of tax and welfare provision (with the expansion of the European Union to include new accession countries from 2004 onwards the weight of the EU has moved even further to the right).

*...different models of capitalism can co-exist within the European Union.*

Different 'varieties of capitalism' co-exist within the European Union (Hall and Soskice, 2001). Yet, it appears that a combination of internal political pressure (internal, that is, to the Union) and the continuing external pressure of globalisation and what is referred to as 'neo-liberalism' is wearing down the edges between different 'models'. The 'Nordic' model is used to refer to those Scandinavian countries that have distinguished themselves in regards to social and economic policy. The model is under huge pressure as some of the Scandinavian countries move towards greater inequality and a smaller state while Governments in other jurisdictions (notably the United Kingdom) are seek to resist European social norms in areas such as the labour market, investment and governance. The developing political detachment of the UK from some of the EU framework is, perhaps, one of the most significant developments that poses challenges for the Republic of Ireland. The possibility of a British exit from the European Union – hardly conceivable in previous times – also casts a shadow over cross-border relationships within Ireland.

The Republic of Ireland and Northern Ireland have diverged in significant areas of social policy over recent decades as the latter is part of a changing political economy across the United Kingdom, while the Republic experienced significant changes and some improvement in social conditions and public services in the period leading up to 2008.

Economic and social policy in the Republic of Ireland differs, markedly from that in Scandinavian countries. Its policies in regards to the labour market, social insurance, taxation, business regulation and governance together with some aspects of public services and collective bargaining resembles more that of the 'Anglo-American' world. However, significant differences exist. Some aspects of the European welfare state have been incorporated into social policy in the Republic of Ireland, while Northern Ireland has benefited from the application of the post-War British welfare state even if significant components of it have been reformed and scaled back in recent decades.

*...and the Nordic social model is under strain too.*

In the past, it has been possible in the Scandinavian countries to build on a strong social compact involving high levels of cooperation, social protection and dynamism. But, this model is increasingly under strain due to the global pressure to reduce business costs and shrink the size of the public sphere as well as liberalise the use and movement of capital and labour across national boundaries. National models of production, consumption, distribution and regulation seem less relevant than before. Looking into the 'Nordic' model more closely reveals important changes to this approach in recent decades. Some analysts interpret this as adaptation and reform to better reflect new conditions and needs, while others take a less benign view (Wahl, 2011). The re-formulation of the Nordic welfare state is seen, by the latter group of observers, as part of a global trend towards a smaller state and privatisation of public goods and services. It should be noted that there is no single 'Nordic' model as each Scandinavian country has adopted a somewhat different mix or approach to a given area of social policy.

The 'Rehn-Meidner model' merits consideration. This 'model' was developed by two Swedish economists – Gosta Rehn and Rudolf Meidner – working for the Swedish Confederation of Trade Unions in the early 1950s. Erixson (2008) has described some of the main features of the model in the following terms:

- A restrictive fiscal policy combined with restrictive monetary policy to increase public saving and control inflation;
- Active labour market policy (ALMP) encompassing retraining and mobility to upskill and ensure engagement in the labour market;
- Selective demand-stimulating policy when there is a shortfall in aggregate demand;
- A coordinated wages policy based on the principles of solidarity and equality of pay for equal jobs (regardless of the profitability of firms); and a
- Central job evaluation to determine 'fair' wage differentials.

The background for the post-war Rehn-Meidner model was the situation in Sweden in the years immediately following World War II. This period was characterised by a movement towards full employment in Sweden through expansionary fiscal and monetary policies as well as the implementation of an incomes policy (entailing price controls and collective wage restraint), devaluation of the Swedish Kroner and selective fiscal policy measures to fight inflation or the negative effects of overheating on the current account. It is important to recall that Sweden had undergone severe industrial and labour conflict in the 1930s arising from which a combination of social agreement and the entry of Swedish social democracy to government occurred.

The aim was not to replace capitalism with socialism but, rather, to make capitalism work in a way that promoted economic growth with the benefits of growth more fairly distributed, while maintaining social cohesion, industrial peace, price stability and full employment (aside from frictional or temporary periods of unemployment in between jobs and training). In light of developments since the 1950s, the above points hardly appear radical or disruptive. Even though the model, which was also reflective of similar trends in most other Scandinavian countries at the time, has been adapted, revised and in some respects scaled back, it remains an important benchmark. The 'model' to the extent that it was applied in Sweden in the period of the 1950s up to the first oil crisis in 1973 was broadly successful in helping to ensure economic growth, greater social equality and fiscal, monetary and price stability. Wage inequality remained low and the scale and quality of public services as well as lifelong learning provision was very good (as evidenced for example by recent surveys of skills in the adult population). Although difficult to prove causality, it does appear that countries with higher levels of economic equality combined with democracy show high levels of human well-being and happiness and lower levels of social dysfunction.

As Erixson has noted, many aspects of the Rehn-Meidner Model have been modified or even entirely abandoned in the 1980s and 1990s in Sweden. However, along with other Scandinavian countries, Sweden remains a high-productivity, high-wage and relatively egalitarian society with a good level of public services compared with many other European countries – especially Ireland. The 'Nordic model' (if it is possible to speak of a single 'model'), however, is coming under increasing pressure due to the impact of globalisation, mobility of capital and the political shifts within Europe.

The onset of recession and austerity policies across the continent and the developing crisis in political parties that form part of the social democratic family has opened up a political vacuum the filling of which poses many unanswered questions. With the demise of the large-scale communist parties in France, Italy and other countries, as well as the collapse of the Soviet Union and associated countries in 1989-1991, there is no longer a series of strong organised political forces capable of resisting the advance of an aggressive neo-liberalism – especially within the European Union. In most countries trade unions, for a variety of reasons, have been weakened through falling numbers as well as political influence to counter-act the worst excesses of economic liberalism. Writing in the *New Statesman*, recently, Neal Lawson (2014) has commented:

*Instead of more things we didn't know we wanted, paid for with money we don't have, to impress people we don't know, social democrats are going have to talk about more of other things – more time, public space, clean air, community and autonomy. This suggests a politics of working time limits, workplace democracy and ownership, a citizen's income and stringent carbon controls.*

There is a fundamental challenge in a society where the interests of corporations and global financial capital are very frequently prioritised over communities. The extension of public control over decision-making necessarily leads us to consider the extension of public control over economic and financial activity as a means of improving and deepening real democracy in our society.

*The 'Rehn-Meidner' model has inspired public policy across Scandinavia.*

Some echoes of the Rehn-Meidner model may be found in the use of 'flexicurity' in Denmark. Flexicurity combines flexibility in the labour market (loss and regaining of employment in a different enterprise or sector), social security in regards to income and an active labour market policy with obligations and rights for the unemployed. To work, such an arrangement requires adequate taxation (sometimes through systems of social insurance but also through general taxation), high levels of protection of income and employment, sufficient training opportunities and, not least of all, a high degree of social cooperation and buy-in by the key actors.

A strategy to promote human well-being and to place it at the centre of economic and social policy implies a stronger role for the state in moderating the impact of markets in regards to income, employment and the distribution of social goods and services. A European public service, fit for purpose needs to be built on four pillars:

- I. **Full employment** with a sufficiently high proportion of the workforce in quality jobs that pay an adequate wage;
- II. **Sufficient and sustainable investment** in physical, human and social capital to support employment and income
- III. **Dynamic enterprise** culture that embraces public, private and voluntary organisations
- IV. **Economic and political democracy** that puts citizens and workers at the centre of organisational governance and political institutions.

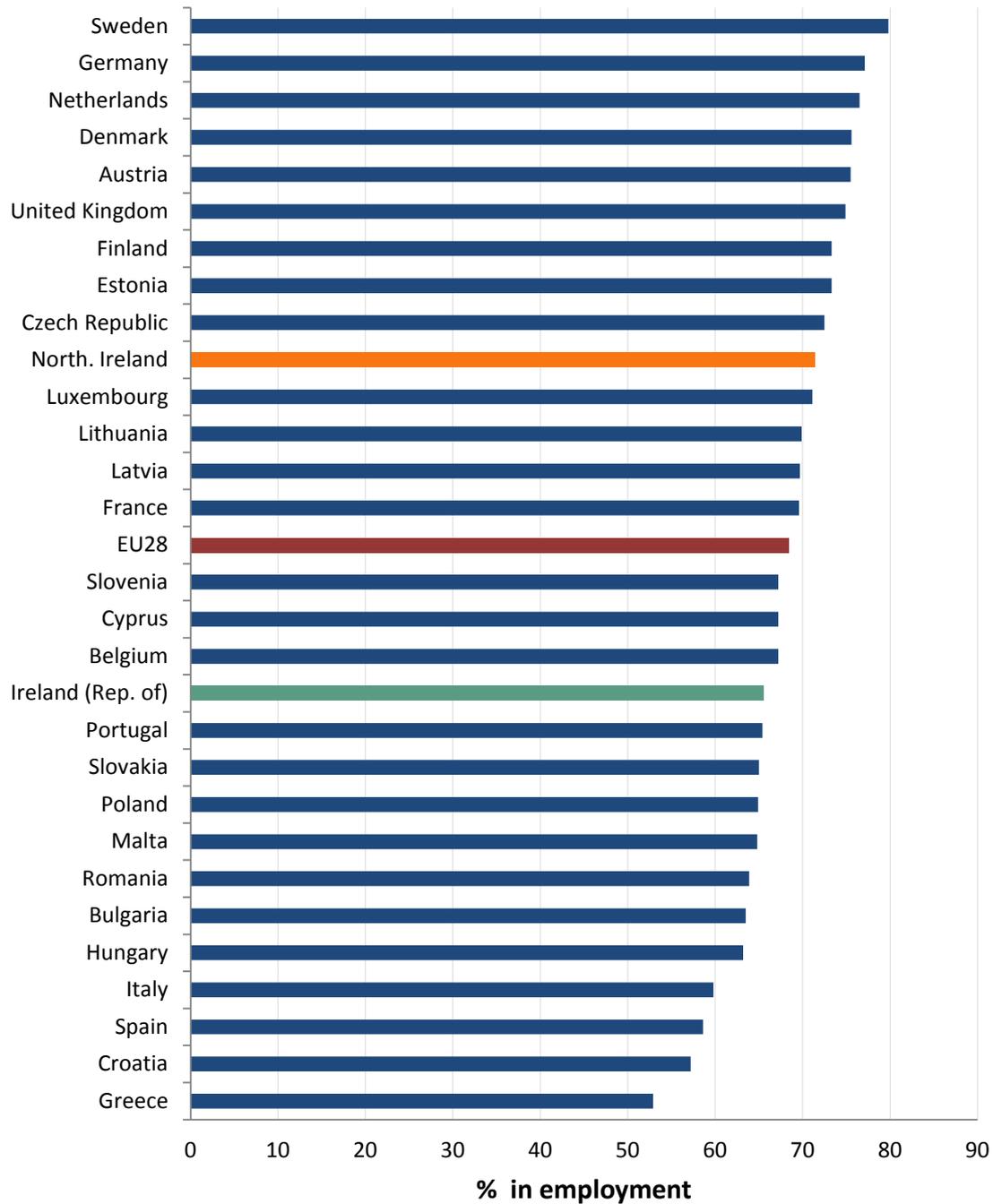
A policy in pursuit of full employment needs to attend to:

- Optimising the proportion of people in any given age-cohort that are in employment

- Minimising, and eventually, eliminating the proportion of workers earning less than 60% of median earnings from employment
- Upgrading skills across the working-age population to a minimum standard of education equivalent to upper secondary education with an emphasis on a range of life and work skills appropriate to each individual.

In 2013, on average across all European Member States, just over two out of three persons between the age of 20 and 64 were in employment. The proportion varies considerably from a high of 80% in Sweden to 53% in Greece at the lowest. The proportion, in the Republic of Ireland, was 66%, while that in Northern Ireland was 71%. It is suggested that a realistic medium-term goal is to achieve an average employment rate of 80% for the entire population 20-64 for both parts of Ireland.

**Figure 10: Employment Rate (population aged 20-64) for 28 European Member States, 2013**



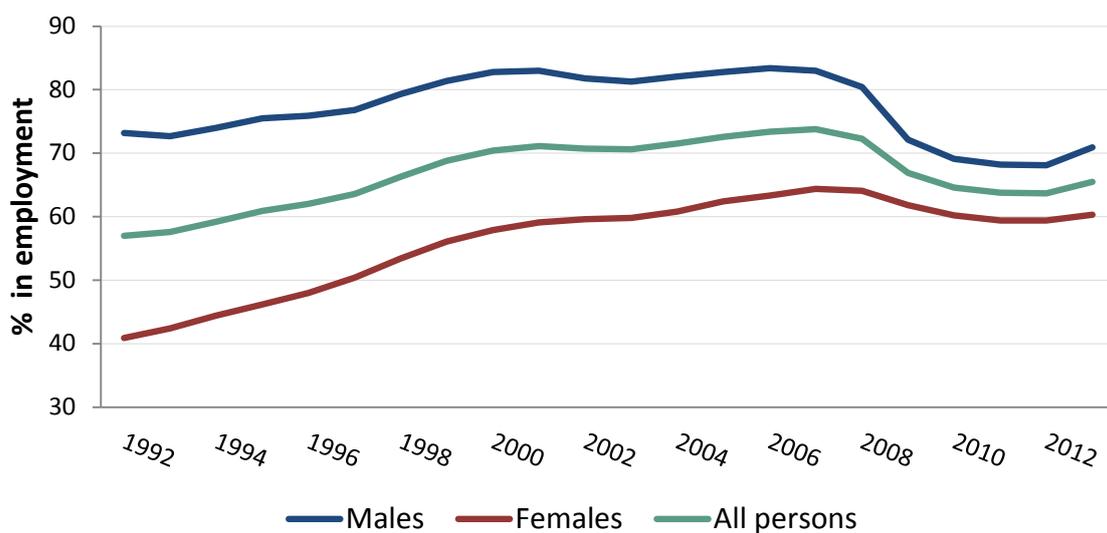
Source: Eurostat online database [lfsi\_emp\_a]

Notwithstanding improvements since 2012 the Republic of Ireland is affected by an employment crisis. The problem is not just one of unemployment and under-employment. The problem is rates of employment that are too low compared to what we need to envisage to provide the means for people to be more self-reliant and contributing to a wider range of occupations. It is also important to acknowledge and value the many forms of work, including caring work, that may not be remunerated and, therefore, not counted by economists and

statisticians as part of the labour force. Following a sharp and very welcome rise in employment rates from the 1990s to 2008, in the Republic of Ireland, employment rates for both men and women in the 20-64 age-group have fallen since the onset of the crisis. This trend needs to be reversed with a view to reaching Northern European and Scandinavian levels close to 80%. There are three reasons for this:

- Under-employment and unemployment are hugely damaging to individuals, communities and societies.
- Demographic change expected in the coming two decades will require higher rates of participation in the labour market throughout the whole age span of what traditionally has been termed 'working life' and beyond it to include work-learning experience for young people and employment opportunities for those over the age of 65 who want and need to engage in paid work and have the skills to continue making a valuable contribution to organisations and communities.
- High employment rates are associated with a social capacity to provide quality public services and income protection to the most vulnerable.

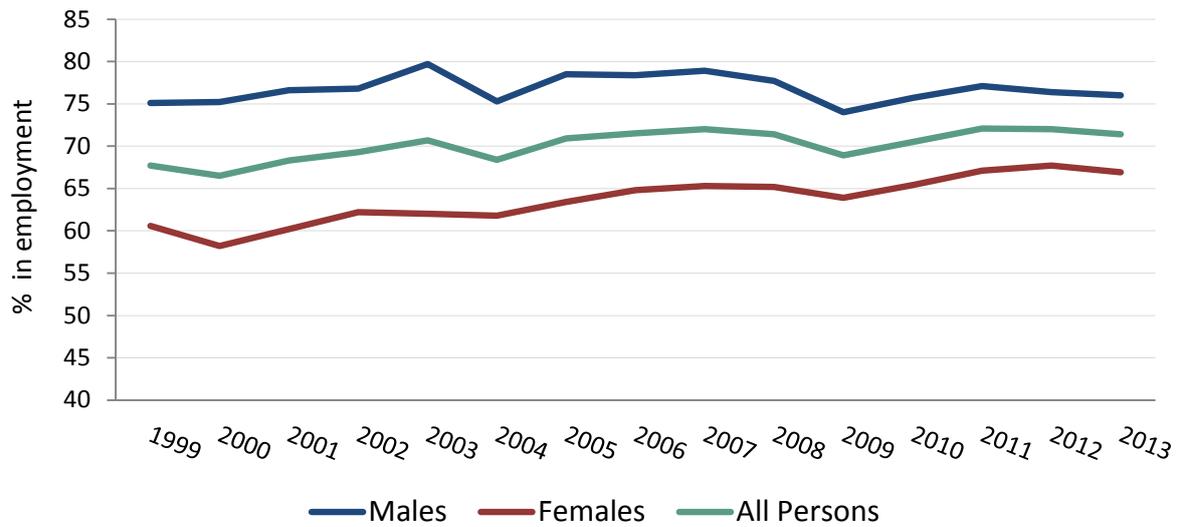
**Figure 11: Trends in employment rates (Republic of Ireland) (population aged 20-64)**



Source: Online Eurostat Database - Employment (main characteristics and rates) - annual averages [lfsi\_emp\_a]

A traditional patriarchal model of employment has influenced both social policy and patterns of participation in the labour market. In the tax and social welfare area, the household is the typical unit of analysis and focus for the purpose of tax liability and assessment, while there is a strong emphasis on tax credits or universal social payments linked to stay-at-home parents.

**Figure 12: Trends in employment rates (Northern Ireland) (population aged 20-64)**



*Source: Online Eurostat Database - Employment rates by sex, age and NUTS 2 regions (%) [lfst\_r\_lfe2emprt]*

Aiming for significantly higher employment rates – a Northern European level of 80% by 2030 – is a realistic goal. The employment market was moving up towards a level of 75% before the recent recession. While some of this employment growth was not sustainable (for example, excess construction activity and of the wrong sort) there is every reason to aim for employment increases of over 1.5% per annum on average over the next 15 years. Combined with an average annual labour productivity increase of 1.5% this is compatible with a long-term scenario of real GDP growth of 3% per annum on average. Making this possible will depend, crucially, on the following three goals factors that ‘unbounds’ both parts of Ireland to achieve its role in Europe and the larger world.



## 6) WHAT MODELS OF ENTERPRISE AND PUBLIC SERVICE ARE ACHIEVABLE IN THE 2040s?

### *Enterprise development*

Thinking about what is called 'industrial policy' and strategy has evolved in recent decades. Rather than undertake centralised and targeted interventions in areas such as science, innovation and technology many writers emphasise the role of 'general purpose technologies' and the need for long-term strategic support for a climate that fosters innovation and greater diffusion of ideas. Firm capabilities may be enhanced through proximity of personnel, centres of research and learning. The role of the state, in this context, could be that of enabler as well as investor in the key supporting infrastructure – broadband, information networks and financial backing, for example.

### *A strong and enabling State working together with firms*

Ó Riain (2004) argues the Irish state played an essential role in developing the economy in the 1990s – especially in regards to the Irish high tech industry. Some of this role involved the fostering of local networks of learning and innovation helped by the use of decentralized state institutions which draw on local, national and global networks and relationships. He uses the term 'Developmental Network State' to describe this. Research by Jenkins et al. (2008) based on case studies in the US over a long period of time suggests that grant and loan programmes for new technology along with technology research parks have positive impacts on regional growth, while controlling for location and agglomeration factors.

An active and enabling State in support of domestic enterprise could incorporate the following elements in the case of the Republic of Ireland:

- Expanded commercial activity of existing public enterprise companies in key areas such as broadband, water, social housing, transport and renewable energy with a target of public investment including exchequer and off-the-books investment equivalent to 5% of GDP by 2018.
- Channelling of early stage venture capital to companies through a State Investment Bank with a target of 7% of GDP by 2020.
- A new model of apprenticeship training expanded to include new skills and occupations and with a target for company investment 3% of total labour costs funded from an expanded model of social insurance.
- A reappraisal of active labour market policies to incorporate aspects of a Nordic 'flexi-secure' pathway for retraining, income protection and work guarantee in exchange for mobility of labour across firms and sectors.
- An increase in total research and development spending by Government, Business and other entities to 3% of GDP by 2018.

Future prospects for development of indigenous enterprises on both sides of the border could encompass sectors such as agri-food, energy renewables, education services, cloud-computing and construction (with the possibility of marketing retro-fitting and adaptation of buildings in global markets). Areas that will require particular attention include: supply chains, skills of employees and managers, organisational capacity, marketing, design and innovation.

### *State Investment Bank is proposed...*

Crucial to enterprise development is banking and its interaction with investment, savings and lending policies. The establishment of a state investment bank could be an important help in channelling investment into small and medium-sized enterprises which face difficulties in accessing finance. Lending could be complemented by the use of advisory and 'early warning' facilities to strengthen companies and raise standards of efficiency and performance. Such a bank would be well placed to pool risk and assist innovative start ups. A reformed banking system is central to a stronger social and local enterprise dimension – something that was largely lost during the period leading up to 2008 when Irish banks did not display responsibility in regards to the scale and composition of lending. Lessons can be learned from the experience of banking in the 1930s when the Irish State set up the Industrial Credit Company as well as the experience of public development banks in other countries (notably Germany where the KfW has been highly successful since the 1950s).

### ***Public services***

A European level of public service will require a European level of government revenue. An adequate level of taxation is required to pay for excellent public services in a reformed and accountable government system at local and central level. Reform of public sector organisations and service delivery will require a programme of reform, employee and citizen engagement and careful negotiation. Reform of our health and education systems to make them accessible to all and to raise, further, the quality of their outcomes will be a key part of public sector transformation.

A progressive system of taxation plays an important role in equalising socio-economic outcomes. A gradual movement towards taxation of land – especially unutilised land - with thresholds for ability to pay could provide an important source of revenue for public services without damage to economic efficiency or equity.

### ***Environmental policies***

A number of urgent initiatives that are within the grasp of policy makers are needed:

- Investment in renewable sources of energy to reduce fossil fuel dependency gradually over time;
- Shift of taxes towards 'bads' carbon-based production and consumption with a built-in basic income provision for all members of society;
- Reduce energy consumption through better insulation of buildings and provision of public transport alternatives to car-based travel.
- Imposition of much stricter emissions standards on production, domestic appliances and cars.

## 7) WHERE TO FROM HERE AND HOW?

Political economy has a vital role to play in helping shape such a vision for the future. Fundamental to economic and social progress is the role of ownership and control of organisations.

### *Economic democracy: ownership and control of organisations*

Rapid changes in patterns of ownership characterise recent decades in both parts of Ireland. This is part of a global trend away from state ownership towards private or mixed public-private ownership. At the same time, production and ownership of the means of production has become more concentrated. Decisions regarding investment, production or location of economic activity are at a distance from the workplace, the local, the national and the public domain.

A policy objective to reduce inequality, grow enterprise and provide an adequate social protection for all residents in a country must be related to how ownership and governance are organised. It may be asked: has the trend towards commodification of services and goods previously provided by the State or public agencies gone too far? Are employees and other stakeholders less or more informed and engaged in enterprise decision-making compared to the past? Is rising concentration of ownership, control and business activity the only option for small open economies? Is there a link from the idea and practice of workplace democracy and citizen participation in major macro-economic governance and oversight?

Sweeney (2013:94) has pointed out that a strong focus on public sector efficiency and accountability to the relative neglect of private sector corporate governance failure has characterised public discourse in Ireland. He writes:

*...it was not the public sector profligacy which caused the collapse of the Irish economy, but appalling practices in some of Ireland's leading indigenous private sector firms, including the banks.*

Workplace democracy and employee participation in decision-making could be a vital part of a strategy to renew enterprises, raise productivity and improve social outcomes.

### *Worker cooperatives an answer in some cases*

Ireland is no exception and practically everywhere in Europe worker rights are under threat from the way in which technology coupled with the new norms of deregulation and globalisation has been applied. Coordinated approaches are needed at national and international level to harness new technologies and to ensure adequate standards and protections including, where required, retraining of workers as well as more participatory and democratic forms of employee engagement in corporate decisions. A greater plurality in firm ownership as well as a strengthening of the role of new entrepreneurial small and medium-size companies could begin to address these concerns and challenges.

In a seminal article by Nolan, Perrin and Gorman (2013) the potential for a small but strongly connected workers' cooperative movement in Northern Ireland is illustrated. The idea of worker cooperatives is not a remote and marginal idea but one that could be taken up and applied in specific cases of company closure, unmet local needs or innovative social

entrepreneurship. Across the UK as a whole there is an estimate 400 worker co-operatives with 2,000 members and 2,000 employees). There are scarcely any in Ireland – North or South. Worker co-operatives are more common in a number of European countries.

The legal infrastructure to facilitate and protect, where appropriate, existing and new worker cooperatives needs attention. Some of the reasons for past failures or lack of current interest or tradition in regards to the establishment of worker co-operatives are to do with a range of factors some of which could include the following:

- Lack of appropriate legal, accounting and marketing expertise
- Lack of support or interest from relevant public or civil society agencies
- Lack of appropriate support and protection for individuals and communities that take an initial risk.

### ***Raising skills, transforming organisations and promoting regional development***

In the Republic of Ireland decent jobs need to be created for all through up-skilling and innovative investment to raise productivity of both labour and capital: a target of 95% NFQ level 5 (Leaving Cert or equivalent) could be set for all adults by 2030 with a particular focus on a reformed apprenticeship system and vocational further/higher education sector to raise skill levels to Levels 6 and 7 or higher for more than 70% of all adults.

Some analysts have noted a growing polarisation in the labour market as clerical and administrative occupations lose employment share to lower-skill and higher-skill occupations. This hollowing out of the middle of the workforce is driven, in part, by technology and has huge implications for particular sectors and groups in the work force. One way to respond to these changes is to retrain and refocus groups at risk in order to equip workers to with new technologies in newly emerging sectors. A combination of ‘soft’ social skills and adaptation to new technologies would provide a partial solution.

### ***Reducing inequality and abolishing poverty and homelessness***

Ireland is in the top 13 countries in the world as measured by GDP per capita<sup>5</sup>. A relatively rich country such as Ireland has the capacity to implement a basic living income for all – young, old, middle. This could be achieved by raising wages at the bottom towards a collectively bargained, agreed level of wages appropriate to each sector. A ‘living income’ takes account of household composition and urban/rural.

*The ‘social wage’ is an important component of economic well being ...*

However, incomes are not only measured by cash payments in the current period. Income is normally thought of as money people actually receive from work or from ‘social transfers’ such as unemployment benefit, children’s benefit or pensions as well as incomes from dividends, rents, interest on savings etc. However, economists also speak of ‘income’ as the present-day value of some form of wealth such as a home, a future pension or one’s education. Such ‘income’ corresponds to the present value of an estimated future flow of income taking account of the

<sup>5</sup> Based on GDP per capita adjusted for purchasing power parity in 2012. Ireland was the third highest among the 28 member states of the European Union. If a measure similar to Gross National Product were used Ireland would be in the top 25 countries globally.

cost of investment. Still wider notions of income may refer to the value of social services or collective goods that are provided by the community such as the State, local public authorities and various 'not-for-profit' civil organisations. The proportion of 'collective goods' in total societal income can vary considerably across countries. The Republic of Ireland, by comparison with most other European States, has relatively more income consumed individually or at the household level in the form of wages or other forms of non-labour income while in other countries social transfers (pensions and other cash benefits) together with 'collective goods' such as health and education account for a larger part of total income received by households.

### ***An industry commission is proposed***

An industry commission should be considered to kick-start analysis, dialogue and implementation of improvements at sectoral level. This could involve a tripartite arrangement involving business, worker representatives and public agencies in given sectors of the economy. While not entailing negotiation over pay and conditions such a process of deliberation could feed into a separate series of negotiations on pay and conditions – whether at national or sectoral/enterprise level. A sectoral industry commission approach would undertake over a set time period an in-depth and up to date investigation of the strengths, weaknesses, opportunities and threats in a given sector. It would draw on existing or past analysis in that sector as well as draw on relevant expertise – especially among employees in the sector. To be effective such an analysis would have to involve bottom-up participation by employees and businesses in each sector where knowledge, skills and insights could be pooled and shared without prejudice to commercial confidentiality. A strong emphasis would be placed on:

- Domestic enterprises
- Opportunities for start-ups
- Obstacles to innovation or growth
- Opportunities for new markets at home or abroad
- Levels of skills, links to education and training providers and organisational capacity in the sector.

A number of possible gains could arise from such an exercise: examples of good productivity and innovation performance could be developed and made available across sectors, information shared in a way that opens up new commercial opportunities and pathways created for new sources of enterprise and employment. A supporting network of advice, finance and intelligence back-up drawing on existing state agencies such as Enterprise Ireland as well as a State Investment Bank proposed above. Any analysis of sectoral needs and planning should be open to a plurality of ownership forms including the small but potentially vibrant worker-owned cooperatives and new micro-level municipal public enterprises established by local authorities and operated on a commercial and accountable basis with direct employee engagement.



## 8) CONCLUSION

This paper has reviewed some of the key political and economic challenges and opportunities for the island of Ireland over the coming decades. It has sought to present a vision informed by (i) universally shared positive human values, (ii) sound and truthful analysis of our social world and (iii) realism in relation to what is achievable. To break with the cycle of economic boom and bust and endemic under-development and under-employment fundamental change in the way politics is conducted and economic policy is framed is essential. It has been beyond the scope of this paper to investigate the required change in political culture and institutions to facilitate a social and economic transformation outlined here. However, suffice it to say that reform of Government, public services and the relationship of the local to the central will be essential in ensuring a transformation that is accountable to, and controlled by, citizens through their elected representatives.

A vision of perfect equality, enterprise and economic democracy is not suggested. We live in an imperfect world where human nature and institutions operate. The famous German philosopher Immanuel Kant once wrote:

*Out of the crooked timber of humanity, no straight thing was ever made.*

Nonetheless, today, there are examples and signs of good social policies in many European countries and further afield in South America involving deliberative democracy.

*Politics, markets and economies intersect...*

Since the onset of liberalisation and deregulation the role of the State in relation to economic development has been seen as more steering or encouraging than rowing. This needs to change to include more public sector and enterprise 'rowing' to complement that of the private or voluntary sectors. There is a need to expand the role of state and to enable market actors to meet societal goals through deliberation and negotiation. A vigorous and enabling state is not an obstacle to enterprise as indicated in section 6 of this paper.

In four years from now, the first parliament based in Ireland following the 1918 General Election adopted the Democratic Programme. That Programme contained the following pledge:

*It shall be the first duty of the Republic to make provision for the physical, mental and spiritual well-being of the children of the State. Likewise it shall be the duty of the Republic to take such measures as will safeguard the health of the people and ensure the physical as well as the moral well-being of the Nation.*

In many ways the unfinished business of the democratic revolution unleashed at that time was the goal of social equality and true emancipation. Today we see a rise in homelessness, poverty, precarious and low-paid work, the scandal of zero-hour contracts and the corrosive effect of long-term youth unemployment and under-employment where skills and human capabilities are wasted.

The Constitution of the Irish Congress of Trade Unions contains the following:

*To seek the full utilisation of the resources of Ireland for the benefit of the people of Ireland and to work for such fundamental changes in the social and economic system as will secure*

*for the workers of Ireland adequate and effective participation in the control of the industries and services in which they are employed.*

Civil society organisations including trade unions have a vital role not only in defending worker's rights and conditions but in advancing a social programme to change Ireland into a more economically dynamic, socially equal and politically accountable place – the best small equal population in the world in which to flourish. The better is yet to come – but it must be worked for.

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