

ECONOMIC AND SOCIAL PLANNING



A POSITION PAPER PRESENTED BY THE ADMINISTRATIVE
COUNCIL TO THE 1978 ANNUAL CONFERENCE OF THE
LABOUR PARTY.

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A POSITION PAPER

This position paper is submitted to the 1978 Annual Conference of the Labour Party as a first step towards the development of party policy on this subject. It does not represent party policy at this time.

Preamble

This Paper is presented by the Administrative Council for debate at Annual Conference. In the light of that debate and subsequent additional consultation with the Party organisation, it will be worked into a final policy document to be approved by another conference of the party.

It must be stressed that this document is not a "plan" or a "blueprint" for economic and social development. Economic and social planning should be a continuing activity under the aegis of Government and a system of consultation with the trade unions, other organised groups and the community at large. This document is a proposed basis for Labour's approach to such an activity, and to some of the fundamental policies which should guide Labour thinking.

This Position Paper should be seen in the context of the Paper on the Party's Fundamental Policy Position. It refers to gains for socialism which can be made now and into the 1980s if sufficient support for its views can be mobilised. In this sense this is a Paper to look into ways in which progress can be made in the economic and social fields in the short to medium term and in which progress can be made towards the kind of society which is sketched out in our Fundamental Policy Position.

The Administrative Council wishes to thank the eleven Constituency Councils, the Irish Transport and General Workers' Union and the Labour Women's National Council who made written contributions for this preliminary stage of renewed policy formation.

PLANNING and DEVELOPMENT

(a) General Issues

- (1) Socialist planning puts the people first. The purpose of planning is to expand the range of choices and the quality of life for individuals and families in the community. More precisely, the policy decisions which arise from the activity of planning must be geared to this objective. It follows from this that planning must be concerned with the creation of wealth, and the mechanisms of its distribution. If the purpose of planning is to widen the range of human choice, then it follows also that the structuring and implementation of plans for economic and social development must foster and encourage maximum participation from the community at large.
- (2) Different stages of economic and social development call for different types of planning systems and mechanisms. The demographic pattern, the natural resources and skills available, the relationship with neighbouring economies or trading blocs, the degree of "openness" or the importance of foreign trade or of currency movements, all set limits to the policy options available. Indeed, the very "openness" of the Irish economy as a trading economy is one of the factors determining that state enterprise in manufacturing industry, as well as private enterprise, must operate in the context of a market environment.
- (3) The Task of the Labour Party then is to signify the most appropriate approach to planning and development by reference to its own ideology, the facts of the national economic and social situation, and the reality of EEC membership. Political ideology is critical in determining the role of economic and social planning but the definition of policy must take account both of the opportunities and constraints of the economic environment now and into the 1980s. Planning must stimulate and specify solutions, not provide mere projections on paper to cater for the political needs of the passing day.
- (4) A planning system, which involves serious and genuine structures for participation and consultation, must at the same time allow legal underpinning for many of the ultimate decisions reached. This key area of policy choice with its attached responsibility must be the prerogative of Government in a democratic society. Effective planning must involve a measure of consensus, but as long as conflicting political principles are in competition, full policy consensus will rarely, if ever, be attained.

- (5) Many restrictions are inevitable in any viable political order, and legal restrictions and obligations are widely accepted as normal or rational, for example, in physical planning, compulsory insurance, public health regulations. However, major problems are likely to arise if proper economic and social planning is to occur in this country. This is so because the size and scope of actions required to achieve the economic and social goals to which the Irish people aspire are such that their achievement would involve major changes in economic and social power structures, administrative arrangements, and attitudes to economic growth and social justice among the people generally. The nature of any consensus at a particular time will depend on the political choice of the electorate and the strength of the various interest groups.

(b) Economic and Social Planning.

- (6) A proper balance between the economic and social dimensions of all national strategies is central to the Labour Party's position on planning. Each section of a plan represents a complex interaction of economic and social forces. Demarcation between these inter-related elements of the overall process of development is neither natural nor desirable. The history of national development policy, in this and in many other countries, has seen the major emphasis placed on the attainment of economic goals such as growth in GNP, increased exports, new industry and the like. At present in Ireland, such objectives are of course essential. Social goals, however, must not be narrowly defined, as in the past, and given the status of a residual item. Increased national income does not necessarily mean desirable social development. The consequences of economic growth, while it would involve a general raising of living standards, often means a concentration of real wealth in a small section of the community, and the emergence of significant poverty among many marginal groups in society. Recent research in the USA, Britain and Ireland demonstrates this. The rising tide does not raise all the boats or do anything about the problem of those whose boats are already too small or over-crowded.
- (7) The planning system must seek to reconcile economic and social objectives. Therefore, key policy issues such as employment creation, ownership of productive resources, the distribution of wealth, the incidence of poverty, the control of credit policy, educational needs, health care and housing, must be considered in one integrated framework. Social reform does not necessarily depend on

economic progress. Even at times of economic recession, or fiscal stringency, it is possible to achieve social progress if the community still wills it, and if the structures of government and of society generally are designed and geared for appropriate action.

- (8) The achievement of a caring and cohesive society will not occur by chance. At times of growth in the economy, social progress must proceed in parallel with the increased creation of wealth. One of the main planks of conservative ideology is that wealth creation and accumulation must precede its equitable distribution. Labour's contention is that the process of economic development itself runs concurrently with social developments relating to participation, educational needs, ownership patterns, the social and health services, housing and so on. The range of choice for people living their daily lives must be broadened continuously, not narrowed.
- (9) Labour believes that proper economic and social planning is necessary to ensure that final policies are part of a coherent strategy and not just piecemeal changes or responses to an immediate situation. All desirable Labour policies cannot be implemented immediately due to lack of resources. On that basis alone, economic and social planning is necessary so that resources are allocated to different policy objectives in an orderly manner which represents a rational choice as to which objectives are to be pursued first and how the implementation of policies is to be phased.
- (10) Human objectives are primary to a socialist; the objective is to seek human dignity in a free and equal society. The link between economic and social planning is in harmony with the fundamental socialist concept that all economic activity should be directed to the achievement of socially desirable goals. The economic system is not an end in itself; it is rather the means whereby society provides for its social and human needs.

(c) Planning and Past Policies

- (11) The acceptability of economic and social planning outside the centrally planned, undemocratic world has varied throughout the last fifty years. Planning has evolved from being regarded in terms of fear, scepticism and awe in the post-war period in Ireland, to being a standard demand of industry, farming and other interests. The definitions and expectations from planning vary. Economic realities alone rule out any centralised form of "imperative

planning" for Ireland in the foreseeable future. But the only valid alternative is not a form of "indicative planning" which was described as Programming at the time of its peak acceptability in the 1960s and whose only guarantee of implementation seemed to depend on a vague concept of national morale.

- (12) In democratic societies, planning is about policy scrutiny, evaluation and decision, about the information and analyses that form the basis for this, about the institutional arrangements for involvement of the social partners and about the political mechanisms for deciding the plan's objectives and monitoring its progress. Planning is about how priorities in economic and social policy are determined by Government and how they are communicated and implemented. The key differences emerge in the political principles which the various political parties introduce into the planning system. Labour's ideology differs from the conservative parties; however, Labour's priorities will stand examination both on practical and ideological grounds in view of the past national record of economic performance.
- (13) The First Programme for Economic Expansion in the late 1950s was the first attempt at the formation of national economic objectives for a period of years ahead to be presented as an integrated set of proposals. Some of its main macro-targets were exceeded; they were high by the standards of performance in the 1950s but far below what would have been required to solve unemployment and emigration. The Second Programme was biased towards elaborate statistical presentations of sectoral and industry targets but its contact with reality never recovered from the recession of 1965/66. The Third Programme 1968/72, which had some social policy content included, was a paper exercise; its employment projections were nowhere near achieved. Medium term planning was not considered a priority during the recession period; policy formation concentrated on the short-term survival of the economy.

The new Government has established a new Department for Economic Planning and Development but it has to work inside the constraints of delivering goods from a "political auction."

This brief commentary indicates the relative lack of impact of what went for economic planning in the past. Past performance, in addition, helps to indicate the size of future development problems. The 1960s were years of growth and rising living standards for those in employment in Ireland. From 1959 to 1973, the growth rate in both EEC and OECD countries was about 5% per year on average. In Ireland, it was about 4% though industrial pro-

duction increased at a rate higher than OECD. But in 1960, the total at work was 1,055,000; in 1970 it was 1,053,000 because increased employment in industry and services could not compensate for the decline in agricultural employment. These were the "golden years" of private enterprise, with a full battery of state-support in the form of grants, tax incentives, etc., and before the ending of industrial protection.

- (15) Following entry to the EEC, and the recession after the peak year of 1973, overall employment declined still further and unemployment rose. The Economy, however, survived both the recession and the impact of EEC entry. Now with a vastly increasing number of young people seeking work and up to 30,000 net new jobs required annually, Ireland stands at a crossroads. Can the enterprise, policies and political will be marshalled over the next decade to stop the resumption of significant emigration, and reduce unemployment as well as providing for the growth in the labour force?
- (16) It is Labour's contention that radical additional development policies are required to meet this challenge, and that their effective implementation will depend on a proper planning system.

(d) The Need for Growth and Jobs

- (17) The challenge facing the people in the next two decades is immense if emigration is not to be tolerated and if we are to approach full employment. Membership of EEC will be a continuing reality and there are as yet no significant regional or industrial development policies at EEC levels to compensate for the reduced capacity in national decision-making. Growth prospects in the industrialised world in the post-recovery period do not envisage any significant reduction in unemployment in the years ahead. Third World countries will demand increased access to EEC markets for agricultural and industrial products. At the same time, in order to approach the 30,000 net jobs a year required into the 1980s, the economy will need to grow continuously from 7%—9% per year. We will need to match the Japanese and Italian performance of the 1960s. It is worth noting, that the Italian growth performance was accompanied by a massive state sector expansion in manufacturing industry.
- (18) Ireland needs to grow 1½ - 2 times as fast as the rest of the EEC in order to approach full employment at increased living standards. Past national policies must be altered; they have not succeeded in

meeting the legitimate aspirations of Irish men and women for secure and rewarding employment at home. There are over one million Irish people in Britain and elsewhere to testify to that. Planning however, of itself is no panacea, and equitable economic and social development will not occur purely on the basis of correct analysis.

(e) Role of Enterprise

- (19) Enterprise is a key element in the process of economic growth. An economy may have land, labour, even capital in abundance, but without enterprising, innovative and creative people, whether in the public or private domain, economic growth will not occur. Enterprise, whether state, co-operative or private is essential for growth, but private enterprise does not measure its success by the achievement of overall goals such as increased employment, regional balance, or opportunities for worker-participation. Rather it operates by the rules of survival, by protecting the assets of the business and by satisfying the various interests; the shareholders and owners desire for profit, customers, workers and regulating agencies.
- (20) Public enterprise has a broader function. Its purpose is to serve the economic and social goals of the state. The public sector can be classified under three headings;
- (1) The civil service proper; and public servants or employees paid out of state funds (army, gardai, teachers, nurses, local authority workers) who operate mainly in the non-market sector.
 - (2) The utilities and service organisations such as ESB, CIE, which have monopolies of certain types of activities, and promotional bodies such as IDA, CTT, AFT, IIRS, etc.
 - (3) The state manufacturing and service sector, e.g., NET, Irish Sugar Company, Irish Steel, Ceimici Teo, Bord na Mona, and part of the business of others such as Aer Lingus, CIE, all of which are generally subject to market disciplines and are expected under current arrangements to earn at least the equivalent of interest on capital borrowed from the Exchequer and other sources.
- (21) Promotion of enterprise, state, co-operative and private is essential, but on practical grounds there is no value in demanding of private enterprise alone the fulfilment of tasks in the field of employment

which from historical performance, it is manifestly incapable of achieving. What is required, both for the public and private sectors, is a mixture of incentive and regulation that is compatible with general aims such as employment creation, consumer protection, opportunities for self-development of employees and basic social equity.

The entire public sector accounts for about 25% of the national workforce, but the key manufacturing sector accounts for only about 3% of manufacturing employment.

- (22) Right-wing critics of the public sector often classify the work of those engaged in essential public services in the non-market sector as unproductive. Such value judgements are both unjustifiable and reprehensible. Services provided by the will of the community as distinct from those provided for the purpose of private profit are essential for civilised living, as the critics realise where there is any question of withdrawal of service. Work cannot be evaluated by purely market criteria.
- (23) There is a need for new jobs and services to be provided in this part of the public sector, but there are short-term financial limits to what can be achieved. The main thrust for growth must come from a commercial state sector which has been comparatively neglected in the last 30 years, with a massive, carefully planned long-term expansion of state enterprise in key growth areas.

(f) Policy Requirements

- (24) The long-term objective of the Labour Party is the creation of a socialist economy, where the commanding heights of the economy are under public and democratic control. Medium term planning must relate to the reality of the mixed economy. The commercial public sector will have a central role to play. Conflicts between public, co-operative and private enterprise must not be allowed to inhibit the process of growth and job creation. In the context of the mixed economy, it is important to pay attention to the ways whereby the various forms of enterprise can accelerate the creation of permanent jobs throughout the economy as a whole. The Australians, Swedes, Italians and indeed, Yougoslavs, from a different ideological basis have found mechanisms for mutual aid and co-operation between public and private initiative compatible with a major public enterprise role in manufacturing and natural resource development. Practical pressures are always for the state to acquire or become

involved with firms in declining sectors or "lame duck" firms. The state, however, must not merely be supportive. Through the planning system, and new structures for development the state sector must be substantially involved in the growth areas of the future. Immediate progress towards socialism would be achieved by strengthening existing state enterprise, by direct job creation, and by demonstrating that new and efficient industries can be started in the state sector.

- (25) Massive investment in ultimately self-sustaining projects is essential if employment is to increase at the required rate. This will be funded by domestic savings and foreign borrowing, but it will be essential to organise the economy so that those trade unionists and others who forego current consumption can directly obtain the subsequent benefits of growth, and can directly see in the short-term the linkage between their restraint and the creation of jobs. This will involve major changes in the taxation structure. Ownership patterns must change through increased public enterprise, special incentive schemes for co-operative development by groups of workers, the acceleration of worker-participation both in the public and private sectors, and depending on the degree of trade-union interest and support schemes such as "capital-growth sharing" or additional "investment" wages. All this could only occur with full Government backing in a carefully structured planning system where the trade unions had a major role to play. It is the Labour Party alone which can offer that commitment.
- (26) The credit system must be reformed in order to achieve the required growth in jobs. The banking system is wont in periods of boom to hinder the prospects of growth in the primary sectors by allocating credit for speculative and anti-social purposes. The control and direction of credit policy must be brought under proper public scrutiny and control. The Central Bank, as operated since the passing of the 1971 Act is not by itself a suitable mechanism to exercise the great substance of whatever supervision there is. Banking performance should be evaluated at least yearly by a special Oireachtas Committee. The system of placement of private bank directors on the board of the Central Bank must be abolished without delay. No foreign take-over of any major Irish bank should be tolerated. A special system of company taxation should be introduced for the major clearing banks, based on a higher tax rate than for other companies and subject to variations by reference to the performance of the banking system in meeting the plan.

- (27) An independent monetary policy is not possible in the context of the link with sterling. Labour believes that the breaking of the link with sterling is certainly a policy option now and for the future. The wisdom of doing it depends on the performance of the Irish and British economies and the extent to which the Government here has a development and a re-distribution plan to cater for the economic consequences. The merits of maintaining the link should be evaluated as a matter of convenience, not of principle.
- (28) Manufacturing industry, mining and offshore exploration and development, tourism, agriculture, fisheries and construction will be the primary agents of growth. In the long-term, output and employment growth in services will depend on performance in these sectors. There is considerable scope for output growth in agriculture, for new processing activities in high value-added areas and for increased employment in the input and service industries for agriculture. The same potential exists in fisheries.
- (29) Labour's policy is to alter the current industrial strategy. Ireland over-relies on decisions by foreign multinational and other companies for new industrial projects. Foreign investment in this economy is essential for job creation, but it must be considered as but one necessary part of the overall industrial strategy. The inevitable outcome of relying primarily on present structures and policies centered on the IDA is that by 1984 or some such similar time, the majority of the growth sectors of Irish industry will be owned and controlled from abroad. The commitment of foreign industry to the Irish economy will eventually be tested when the effects of tax and other incentives disappear. The Labour Party recognises that our future industrial strategy will of necessity be linked to the evolution of EEC policy. The key questions are whether there will be, over time, a great leap forward in the scope of EEC regional and social policies, and the development of an industrial policy, and if there is, whether Ireland will have an efficient planning system to maximise any benefits from it. In the short run, EEC membership precludes an industrial strategy based on the home market.
- (30) Labour stands for the establishment of a National Development Corporation. The corporation will be crucial to the planning and development strategy. The Corporation will supervise, stimulate and where necessary, rationalise the existing state manufacturing and services sectors that operate in the market place and are not domestic monopolies.

- define, as a key focal point linked to the rest of the planning system, the areas of growth and technology where investment opportunities exist.
- plan for the establishment of new state industries and operate them, where necessary, either by itself or through subsidiaries,
- Supervise state shareholdings in mining and offshore areas, in smelters and ancillary industries.

The development of the Corporation will have to be seen in a twenty year context; it would be responsible through an appropriate Minister to a special Dail Committee. Funds would be made available by way of annual Dail vote; and the Corporation, as a statutory body, would be empowered to borrow on the commercial market. Top quality staff will be recruited from the public and private sectors in Ireland and from Irish people working abroad. Foreign professional expertise would be employed where necessary. No administrative restrictions to securing the best staff by reference to salary scales operative as a result of the Deylin Report would be tolerated. There would be major trade union representation on the main board, and provision for appropriate consultative and participatory mechanisms through the Corporation operating companies. Joint ventures would be undertaken with the private sector, domestic or foreign, where this was seen as leading to the maximum national advantage.

- (31) The Corporation must not be seen as a "rescue organisation" or a dumping ground for unprofitable projects. It will operate according to an appropriate balance of commercial criteria and regional and job creation priorities, but over time will be expected to service the interest costs on its own capital and repay a modest dividend to the Exchequer.
- (32) Definition of industrial sectors where the Corporation will operate, or encourage other state companies to invest, should not be defined precisely in advance of proper planning studies, but they will involve:
- Mining exploration and development (with a renewed and properly staffed and funded Mianraí Teo).
 - The planning and eventual operation of smelters and ancillary industries.

- Processed Foods, including fish products.
- Forest Products.
- Engineering
- Pharmaceuticals.

(33) Employment and other operating targets would be set annually for the Corporation as part of the planning exercise. There would be a gradual build-up of investment and jobs, and through the appropriate mobilisation of finance, staffing and political will, the Corporation either directly or acting with other state companies, and in joint ventures, should aim for 8,000 net new jobs per annum, mainly in the manufacturing and natural resource related activities, in the 1980s.

(34) There are many policies which the Labour Party is evolving and which it will bring as an input to the planning activity. Labour policies as a basis for planning would, for example, include the following:

- (1) An attractive economic and legal system for the long-term leasing of land for qualified young farmers coupled with a suitable retirement scheme for elderly farmers.
- (2) A central body for meat marketing as meat is a vital agricultural/industrial export and a state presence in the industry is necessary.
- (3) A switch in emphasis towards labour rather than capital subsidies in industrial promotion activity:
- (4) In the 1980s, a move towards the equalisation of company taxation as between established and new grant aided foreign or domestic industry.
- (5) Special action to solve the increased employment needs of regions where the impact of recession has been greatest through the NDC and other agencies and in the context of an overall national plan.
- (6) The establishment of a state-construction company, to act on behalf of local authorities or other clients and to be available as a direct anti-cyclical weapon of Government policy.
- (7) The acceleration of company law reform and of provisions for worker participation.

INSTITUTIONS FOR PLANNING

(35) The establishment of the new Department for Economic Planning

and Development in 1977 is, potentially, a major departure in Irish public administration. The Labour Party welcomed the establishment of the new Department, though the Government did not accept Labour amendments designed to ensure a minimum standard of performance and accountability. Final judgement on the merits of making a new Department the institutional focal point of planning, given the political philosophy of the present Government, must await events.

(36) Economic and social planning has both a political and professional content. The most apparently objective document or paper published by Government in the area of planning has a political starting point. It is based on general political assumptions and expectations, however, veiled or implicit. The new Department, from the viewpoint of the Labour Party, has started poorly. The January "White Paper" included a major error on the question of the likely relationship between the growth of the labour force, employment and unemployment; in fact, the increasing number of young men and women looking for jobs was assumed away in order to make the "White Paper" appear to be consistent with the Fianna Fail election manifesto. In addition, the ideological bias was ultimately towards public sector contraction and almost entire reliance on the private sector as the engine of growth.

(37) The assembly and motivation of a professional planning capacity, if it occurs in the new Department, will provide a valuable core group for planning. Labour's policy will be to preserve such a group as part of a separate Department or as part of an enlarged Department of the Taoiseach.

(38) Labour stands for a planning process organised as follows:

- *The definition of broad targets and the input of political principles by Government.*

Then each year:

- The elaboration of policies and targets by a multi-disciplined central group (either in the new Department or attached to the Department of the Taoiseach), recruited from within and without the public service and in close association with the National Development Corporation.
- In consultation with trade unions, sectoral groups, social and community organisations, the elaboration of sectoral targets and the means of achieving them. This may be best achieved

through a revised National Economic and Social Council, and a series of sub-groups associated with it.

- Extensive parliamentary and public debate and submissions.
- Decisions by Government, expressed through the yearly Budget, legislation and other mechanisms.
- Review of progress of plans, elaboration of new assumptions, definition of new problems, etc.

- (39) The series of activities defined above will not mean the adoption of substantial socialist policies unless Labour holds a majority in Dail Eireann; a paper, programme or plan, or outline like the January "White Paper", for example, prepared under a Fianna Fail administration will reflect at least implicitly Fianna Fail political values, priorities and ideology.

The procedure described above will facilitate public contributions from trade unions and others at all times in the process. Given the necessity of a move towards consensus if planning decisions are to be tolerated by the people, a democratic discussion throughout the community on the issues involved will be ensured.

- (40) The public sector in Ireland and other European countries has itself frequently failed to meet "indicative" planning targets. In Ireland, there is need

- (a) to establish a separate Cabinet Office to monitor for Government the overall planning activity, and
- (b) to abandon the conceptually useful but practically useless Aireacht experiments in the public service, with their artificial distractions from the realities of public administration, and instead to integrate technical and other skills as required into the most appropriate points in the system.

CONCLUSION

This discussion paper is not a policy blueprint across the spectrum of Labour policy. Later detailed policy documents will determine, as decided by Annual Conference, what policies the Labour Party should bring to the activity of national economic and social planning. The paper seeks to provide a basic general framework in the area of Planning and Development around which other policies can be built.

Title: Economic and Social Planning

Organisation: Labour

Date: 1978

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