

Don't get fooled again ! Social progress is delivered through wellbeing not innovation.

It is appropriate, at a point in time when our economy is crashing and we are looking for a way out of this predicament to consider the relationship between innovation and wellbeing. Generally speaking innovation is regarded as a highly prized social good . In so doing it expresses a kind of 21st century utilitarianism. The classical utilitarian view put forward by Jeremy Bentham (1748-1832) the founder of utilitarianism is that what is “good” in society can be equated with whatever provides for the greatest happiness of the greatest number of people. Innovation, the government has made clear in its recent policy document *Innovation in Ireland* , has become synonymous with social progress. According to Tanaiste Mary Coughlan it is *Ireland's ambition to become a leader in innovation* . However, given the threat to our quality of life arising from innovatory practices in the banking and business sectors shouldn't we move away from the thinking which lies behind the fake certainties of orthodox capitalist economics. Given that innovation is the exploitation of new ideas in pursuit of a competitive advantage the bankers who sold on re-packaged toxic loans were simply putting innovation at the core of their business policies and strategies. Innovatory tendencies in the Irish property development sector such as hundred per cent mortgages and tax incentives helped to create a property bubble in this country which has now burst with disastrous consequences for the general population. Technological innovation in the car industry has produced a worldwide glut of vehicles. In reality business and technological innovation has, with some exceptions, encouraged profit making strategies which are of dubious benefit to wider society. Against the backdrop of innovation as panacea it may appear counter intuitive to suggest that social progress is better served by less innovation and more attention to the fundamentals of wellbeing. It should come as no surprise to most people that the most important factors influencing wellbeing or happiness are physical and mental health, work satisfaction and relationships with others. It is equally well known that the high level of risk generated by innovation is often borne by the most vulnerable in society while those who profit most from the innovation are protected by their status shields. Economic growth generated through innovation may be an indication of more production and consumption, but it does not follow that everyone benefits to the same extent. Bankers and property developers whose innovatory practices have led to an implosion of the Irish financial system have suffered very little compared to citizens who have lost their livelihoods and possibly their homes. With the retrenchment of our education system Irish children are also victims of the risk inherent in change generated innovation which give competitive advantage to elite groups in our society. The generally accepted view that policies which promote competitiveness are at odds with policies that promote wellbeing has been challenged by our own National Competitiveness Council and respected economists such as Richard Layard at the London School of Economics. Earlier this year the National Competitiveness Council endorsed a growing view that factors which increase wellbeing drive competitiveness. Factors affecting the quality of the environment the sustainability of production and consumption patterns, the value of social capital, unpaid work in the home and issues such as security, crime and social cohesion have a significant impact on economic and social progress. The way forward then, for Irish society, is not to regard unquestioned profit oriented innovation as the Holy Grail but to move towards a broader

perspective which puts wellbeing at the core of our thinking. It should therefore be *Ireland's ambition to become a leader in wellbeing.*

The first step in this direction is to re-think the economics of the family and recognise the true value and cost of our human capital. Parents pay most of the cost of raising the next generation. Employers and taxpayers are the beneficiaries of parental services providing indispensable inputs into our economy. While economists often see education as the defining investment in human capital it is important to point out that if parents don't create and nurture children, schools have no function and employers can't hire staff. Parents, communities and taxpayers invest in children and the costs and the benefits of this investment affect the economic system as a whole. The benefits of spending directly or indirectly on children can be measured precisely in terms of improved educational outcomes, reduced social expenditure on social problems such as crime and drugs and enhanced productivity. Other benefits which can accrue from investment in education include improved citizenship, parenting and earnings. Social progress depends on successful financing and investment in social reproduction.

Involving as it often does the transfer of scarce social resources from hard pressed citizens to private market driven operators who may derive competitive advantage from these transfers and might possibly generate some economic spillover for wider society spending on innovation is in many ways a form of gambling. Furthermore many of those most captivated by the rhetoric of innovation do not appear to be furnished with a moral compass. In this regard innovation is linked with the project of the self and what passes for innovation, on the margins in our culture, is the quintessential Irish "stroke". We have seen how Irish innovators have used other peoples' money to fund off-the-books loans and a native space industry while children are attending rat infested decaying schools. As the recession gathers pace the government must refrain from any further gambling with citizen's money and funding the snake oil merchants whose thinking outside of any moral box has bankrupted our economy. What is required now is outrage and contempt from the public who must endure the results of our bold experiment in financial innovation. An experiment in which "efficiency" came to mean, short-term earnings to the detriment of long term organisation –building, "wealth creation" was "wealth capture" from ordinary citizens, the scrapping of the idea of career, performance pay for "performers" who have destroyed the economic system and the dissolution of company pension obligations. We must therefore cease to genuflect at the altar of innovation and begin to invest our scarce resources in human and social capital the authentic wellspring for sustainable growth and national wellbeing. To do this it will be necessary to broaden the tax base and raise the tax take. At present our tax take, 30.3 per cent of GDP, is way below the EU average of 37.4 per cent of GDP. Unless we stop fooling ourselves and re-instate a progressive tax system, where the beneficiaries of the boom years pay a higher rate of tax than the present rate of 41 per cent, Ireland will become an interesting study in fiscal madness. The silver bullet of innovation has already shot us in the foot so lets not get fooled again.

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