

Conclusion of paper delivered by Professor Ray Kinsella to FEPS/TASC Seminar on ‘Stimulating Recovery’

June 10th 2010

The conclusion that I would put forward to you is this. Ireland is capable of turning around the economy. However, we need to be very clear that suggestions of ‘growth’ or ‘recovery’ at present are simply not evidenced based. What we are looking at is brute arithmetic – the Irish economy has fallen so far that a correction is inevitable – rather than a sustainable, employment intensive, increase in output that benefits all of society.

There are specific measures which can act as catalysts for a wider recovery in the economy. We need, for example, a Loan-Guarantee scheme which would increase the availability of credit. We should be thinking of an IFSC type initiative: an International Medical Services Centre which would anchor our pharmaceutical and medical devices companies and leverage them through the application of our world class third-level research. We need investment in the physical capacity of our health system, which has a demonstrable multiplier effect quite apart from the improvement in health status that is part of the long-run potential of any robust economy. We need to remove the suffocating blanket of a policy culture that really does not understand business and entrepreneurship and which, if it were transposed in government buildings and local councils, would do much to secure existing jobs and allowing them to think beyond survival and into growth.

But this cannot be done within an EU-driven timescale limited to 2014. It will be at least 2020 before the kind of transformation that leads to fiscal sustainability can be achieved. Ireland needs to make this point on its own behalf and within the interests of stability within the wider EU. There is a clear and present threat of instability within the Eurozone. A ‘twin-track’ E.U, dominated by Germany (with a hard euro) and the UK (which is committed to remaining outside of the Eurozone and its disciplines involving a de facto move to a political union) will have far-

reaching implications for Ireland and for the scope and nature of our recovery which will, at best, take us beyond 2020 – this needs to be debated.

We need to focus, therefore, on what is in our own control, namely, the domestic economy. The current budgetary strategy is misconceived and malign and regressive. We need to tilt discretionary support away from an open-ended commitment to business-models within the banking sector that have demonstrably failed and towards supporting existing and new domestic companies configured towards The Common Good. We have learned that banks are essentially a utility and the touchstone of a utility should be what is in the interest of The Common Good. The continued deterioration of the Irish economy, against the background of uncertainty in Europe and volatility in the financial markets, including an alarming rise in long-term unemployment to 33% of total unemployment, indicates unambiguously the need for a change in budgetary policy – even at this late stage.

ENDS