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Workers' Party of Ireland

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Working Towards a New Agenda for Industry

New Agenda

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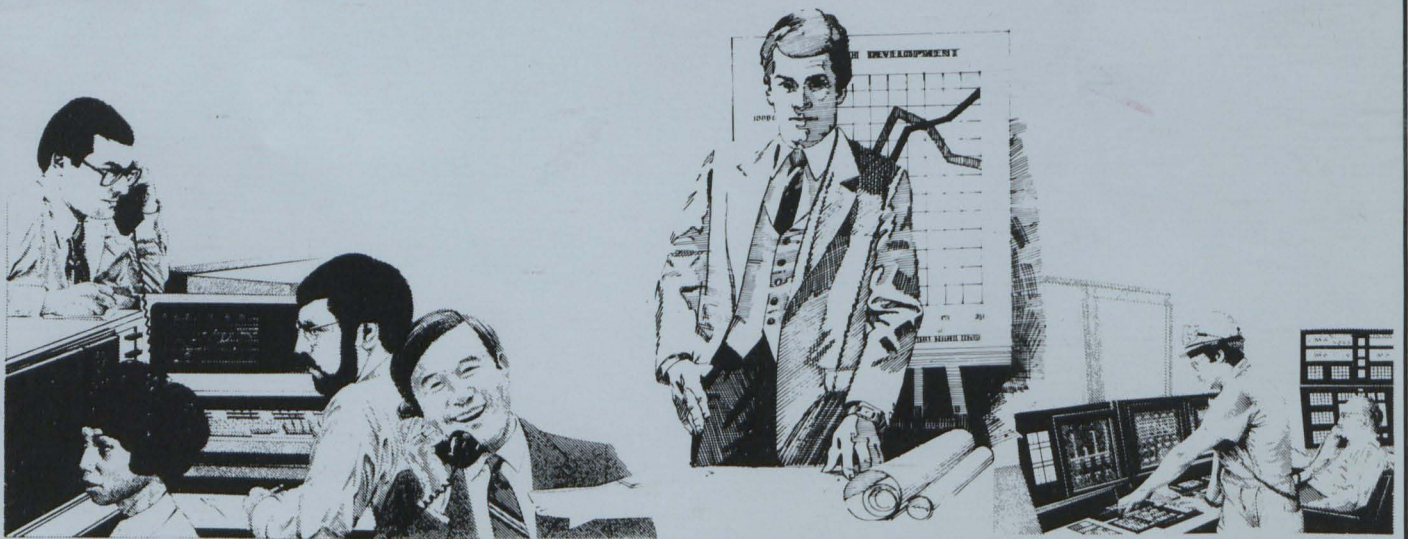


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Working towards a

New Agenda

for industry

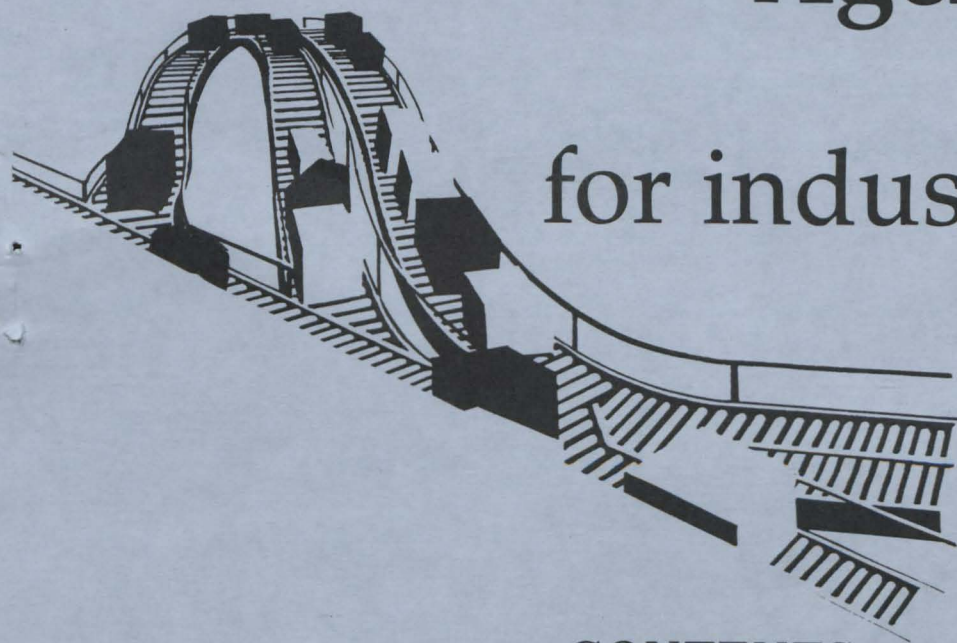
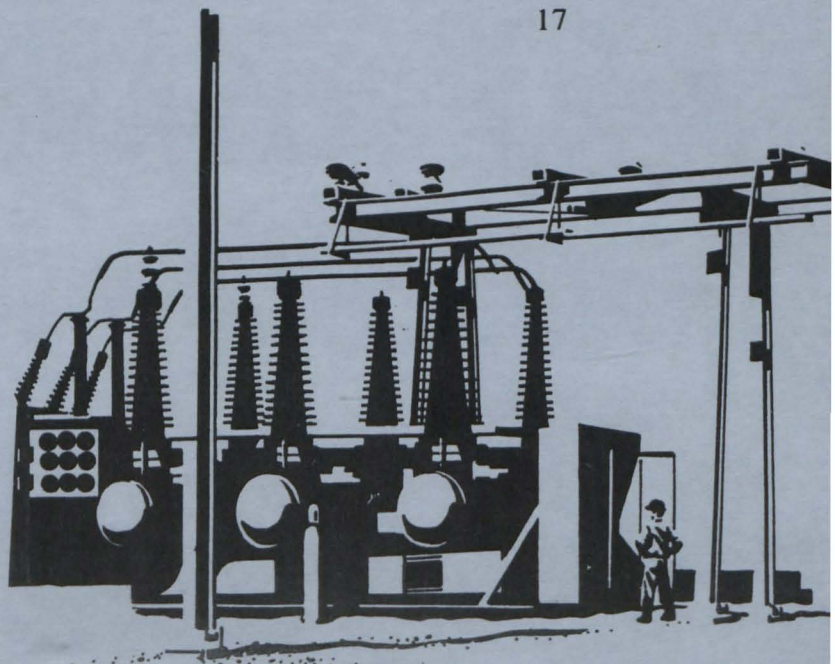


New Agenda

for industry

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INTRODUCTION

With unemployment at record levels, poverty becoming increasingly endemic and mass emigration once again a feature of Irish life, it is clear that Irish economic policy is a failure, and in need of drastic revision. New Agenda does not agree with those prophets of doom who argue that nothing can realistically be done to tackle these fundamental problems of our society. Nor does New Agenda concur with those who see the state's role in this respect as being simply to create the "right climate" for private business to get on with the job of employment creation.

We believe that there **can** be hope for the hundreds of thousands who are out of work or who are faced with the eternal prospect of low-paid dead-end jobs. We believe that major progress in employment creation can be achieved, given the right policies accompanied by courageous political leadership and commitment. This policy document sets out the kinds of policies required to realistically tackle the over-riding crisis in Irish society today - the crisis of unemployment.

Industrial development is the key to major employment expansion in the Irish economy. In this document we identify, first of all, the basic flaws in existing industrial policy. Particular importance is attached to the failure of foreign branch plants to stimulate significant spin-off employment within the Irish economy. An alternative model of industrial development is then outlined, in which the primary emphasis is placed on the creation of Irish-based exporting firms which derive their inputs and services from other Irish firms, and which reinvest their profits in Ireland.

Proceeding from this basic model, the document then identifies a strategy designed to create networks of core exporting firms and linked sub-supply and service firms in key industrial sectors. A National Forum on Employment is proposed in order to put the employment crisis at the centre of the political agenda and to create a national consensus on what needs to be done to confront this crisis. This should be followed by the establishment of a National Industrial Development Council to oversee the implementation of the agreed industrial programme.

Actual implementation of the programme should be entrusted to a new Industrial Development Board, created from the integration of the various existing state agencies concerned with industrial development. This Board should operate through a series of Executive Task Forces, each charged with the promotion of an appropriate network of firms in the target sectors.

Achievement of the goals of industrial policy under the proposed system will require simultaneous changes elsewhere in Irish society. Industrial democracy must be fostered, the public service and the Oireachtas must be reformed in the interest of greater efficiency, and local democracy must be greatly strengthened. The strengths of the state commercial sector must be built upon, in place of the current preoccupation with privatisation.

Mechanisms for ensuring that industrial development does not conflict unduly with the aim of environmental protection must be instituted. A Common Industrial Policy should be introduced by the European Community to assist in a more effective way in the development of the peripheral regions of the Community. More effective tax collection from the wealthy in our society can make an important contribution towards financing the proposed policies.

The policies proposed in this document will not, in themselves, mean the creation of a socialist society in Ireland. However, by establishing a close link between a planned approach to economic development, the spread of democratic institutions, and accelerated employment creation, they mark an important milestone on the road to a socialist future.

1. THE CRISIS OF IRISH EMPLOYMENT

Irish society is facing its greatest crisis since the foundation of the state - a crisis of mass unemployment. Each month's figures seem to break the previous record for numbers out of work. Including those on government "make-work" schemes and those not on The official register who would take up paid employment if available, one in four of the total labour force is unemployed. This is likely to reach **one in three** by the end of the decade.

The government blames this state of affairs on the fact that Irish people aren't emigrating as much as they used to do in the past. Already, in the last year we have seen the spectacle of a government senator flying to America with visa applications to ensure that as many Irish people as possible are enabled to leave the country. We now have a proposal to set up FAS offices in Europe to facilitate the outward flow of "surplus" Irish workers.

Meanwhile, at home we are saddled with a political and economic system dedicated to tax evasion, financial scams, and get-rich-quick strokes. At the same time, hospital wards are closed, schools are overcrowded, and one million poor struggle for survival.

By putting the blame for high unemployment on a fall in emigration, the government merely highlights a consistent record of failure on the part of the state since independence. The fact is that no Irish government has been able to provide adequate employment opportunities for its citizens on a sustained basis.

Things **could** be different. Other small peripheral European countries have succeeded where Ireland has failed, and their populations now enjoy living standards among the highest in the world, with tiny numbers out of work.

As New Agenda sees it, the Irish political establishment has consistently avoided confrontation with the many vested interests in our society which have been quite content to maintain the economic status quo at the expense of the poor, the unemployed and those who have been forced to emigrate over the years. The economic policies of successive governments have simply reinforced the wealth and privilege of the few rather than tackle the needs of the majority of our people.

This passive approach to the pressing economic problems confronting Irish society must now be replaced by a vigorous policy of economic management at government level, complemented by appropriate support action on the part of the European Community.

New Agenda believes that the Irish unemployment crisis must, and **can**, be successfully tackled. The key to secure job creation in Ireland is an effective industrial policy. To be effective, industrial policy has to create a strong foundation of home-based export industries, firmly rooted in the Irish economy, purchasing Irish materials and services, reinvesting their profits in Ireland, and generating spin-off jobs throughout the economy.

The industrial policies pursued by successive Irish governments have failed to create such a firm foundation.

In this policy statement, we identify what needs to be done to develop Irish industry to the point where serious inroads can be made into the rising tide of unemployment. What is needed is nothing less than a major radical restructuring of the Irish business sector and of the support organisations of the state. To actually achieve this will in turn require political leadership and commitment of a type never seen before in this country. Herein lies the greatest challenge now facing the Irish people.

2. IRISH INDUSTRIAL POLICY - A RECORD OF FAILURE

The industrial policies pursued by Irish governments down through the years have produced an economic structure inherently incapable of providing jobs in sufficient numbers for the Irish people. Irish industry is made up of two separate and distinct components - a native Irish component and a foreign component - each of which, as outlined in the following two sections, suffers from profound deficiencies.

NATIVE IRISH ENTERPRISE - A CONTRADICTION IN TERMS

Native Irish industry is mainly small-scale, largely limited to low-growth traditional sectors, and geared to the home market. Some Irish firms have managed to grow large from this base, usually because they have been sheltered from foreign competition by transport costs. They have continued to grow by investing in similar activities abroad, rather than diversifying at home. Faced with the choice of being innovative and creating jobs for Irish people, or sticking to the safe and familiar, they have consistently taken the soft option.

This attitude epitomises the nature of most Irish private "enterprise". Some years ago, the Managing Director of the Industrial Development Authority was forced to complain that when one mentions the word "risk", Irish business dives for cover. As recent events show clearly, an Irish business culture has developed which prefers to seek profit from non-productive investment, such as property dealing and speculation in company shares. Successive Fianna Fail governments stand condemned not only for allowing this culture to develop, but for playing an active role in stimulating its growth.

As a result, most native Irish industry, in its present form, offers little hope for future growth and job creation. It lacks the scale of operations, the organisational structures, the long-term time perspective, the commitment to research, and the management and marketing capabilities required for successful penetration of overseas markets. These obstacles must be overcome if any real hope is to be offered to present and future generations of unemployed.

FOREIGN INDUSTRY - NOT MAKING THE CONNECTIONS

The main thrust of Irish government industrial policy over the last thirty years has been directed towards the attraction of export-oriented branch plants of multinational firms. This in itself is an admission of the inability of indigenous firms to secure the export markets which are vital to Irish economic growth. Generous grants and tax incentives have been used to attract these foreign firms.

In terms of its own modest objectives, the policy of promoting foreign investment has been reasonably successful. Some 80,000 jobs have been provided by overseas firms - over one third of the total. These firms account for over one half of Ireland's total industrial production and the vast bulk of exports. Many provide stable and good-quality employment in modern industrial growth sectors.

However, ultimately, this policy has been shown to have fundamental weaknesses which have become increasingly apparent in recent years. The main emphasis was placed on direct job creation in the factories set up by foreign firms, while too little attention was paid to the need for developing spin-off employment. Thus, most foreign firms make little use of local materials and services. By importing most of their requirements, they cancel out most of the benefits of the export revenues which they generate. Repatriated profits (equivalent to one tenth of Gross Domestic Product in 1989 and projected to double by 1994) negate the remaining benefits.

There are further problems with foreign firms. They employ mostly low-skill labour in their Irish plants, thus providing few job outlets for the growing output of skilled graduates from our Third Level colleges. They have been increasingly using new technology to eliminate jobs: while Irish industrial output doubled in the 1980s, industrial employment **declined** by one quarter. There has been plenty of industrial growth, but few related jobs.

Measures by the Irish government to try to make foreign firms change their ways are futile. Our tax system encourages them to buy from, and sell to, affiliate plants abroad, so that they can manipulate prices to maximise their profits in Ireland, where tax rates are close to zero. They therefore have little reason to buy from Irish firms. Nor are they likely to transfer key elements of their operations, such as scientific research and marketing, to Ireland. For reasons of corporate strategy and access to the advantages of major urban centres, these are invariably retained in the home country. And, of course, they must keep their shareholders happy by sending home their profits.

On top of all this, it is clear that the Irish government has been far too generous in the incentives it provides to attract foreign investment. No other country competing with Ireland provides **both** huge tax breaks **and** substantial capital grants in the way Ireland does. As a result, very little tax is realised from these firms, despite the extremely high profitability of their operations (as the IDA regularly advertises abroad). Tax reliefs now cost the country one billion pounds per annum, while the grants paid to foreign firms cost hundreds of millions of pounds annually in scarce public funds which could be more productively used in other ways.

CURRENT INDUSTRIAL POLICY - BARKING UP THE WRONG TREE

The Irish government's approach to promoting industrial development is both one-dimensional and misdirected. It is obsessed with providing the right "climate" for investment, and then hoping that the private sector will respond with job-creating initiatives. This approach has proved to be a hopeless failure.

The 1980s provided an unparalleled investment climate for Irish business. A wide array of tax incentives, government grants and employment subsidies was made available. Inflation rates reached their lowest levels in decades and bank interest rates were also reduced significantly. Real labour costs dropped rapidly (to one half the West German level) as the productivity of Irish workers surged ahead relative to Ireland's main trading partners. For every £10 worth of extra output produced by Irish industrial workers in the 1980s, they received only £1 in extra wages. Despite this, the trade unions showed a new preparedness to accept wage moderation.

Meanwhile, savage government cutbacks reduced the burden on the economy of high levels of public spending. A massive public investment programme had given Ireland one of the most modern telecommunications systems anywhere. Despite the constant propaganda bombardment by the private business lobby, the average burden of taxation in Ireland remained quite moderate by Western standards. While PAYE workers have had to shoulder crippling tax rates, the state has turned a blind eye to widespread tax avoidance and evasion on the part of the wealthy, as the 1988 tax amnesty demonstrated starkly.

The parasitic element that is so common within the Irish business sector was certainly on the pig's back - and duly proceeded to behave like pigs. They simply took the money and ran. While company profits doubled in real terms in the 1980s, unemployment grew even more quickly, while manufacturing employment slumped. In other words, contrary to the arguments of the right-wing political parties, increased profitability has rarely been translated into employment-creating investment by Irish business. The promises held out to those in employment that wage restraint would lead to more jobs for those out of work have simply not been fulfilled.

STATE AGENCIES - HANDMAIDS OF PRIVATE PROFIT

Over the years, a virtual constellation of state agencies has been assembled to hold the hand of business firms as they reach out to grab the huge bunch of financial carrots which has been dangled before them. Some 18 separate state agencies and government departments, employing 3,500 people, are in the business of providing all kinds of advice and services, and some £400 millions in assistance per annum, to the manufacturing sector. When one includes revenue lost through tax breaks, it has cost the Irish government **£10 billions** in the 1980s alone to "stimulate" industrial investment. The end result has been a **decline** of 40,000 in industrial employment. To borrow from the terminology of the New Right, this is certainly not value for money.

As the Telesis Report on Industrial Policy pointed out ten years ago, what we have got in Ireland is strong state agencies and weak firms. What we need instead are strong firms, capable of standing on their own in the international market place, and with a strong home base of local suppliers of materials, components and key services. Current government policy is incapable of achieving this.

It is time, therefore, to abandon the highly expensive and inefficient "blunderbuss" approach to industrial development which has been pursued for the last thirty years. What is needed instead is a much more sharply focussed approach based on a clear analysis of the deficiencies in the Irish industrial structure which are inhibiting employment creation. Once these deficiencies have been identified, specific and highly targetted action programmes must be devised and implemented for their elimination. How this can be done is outlined in the remainder of this policy statement.

3. A BASIC MODEL OF INDUSTRIAL DEVELOPMENT

Manufacturing industry remains the central engine of growth in modern economies. Through the processing of raw materials,

manufacturing creates **added value**, the source of the great wealth of industrial societies. The circulation of this wealth throughout the economy creates many more jobs than exist in industry itself. Jobs are generated in the primary sector in order to supply materials and energy for industry. Further jobs are created in the services, both directly in the form of services purchased by industry itself (finance, market research, etc.), and indirectly via spending by industrial workers in shops, cinemas, hairdressers, etc.

Because of the impact of new technology, relatively few jobs are being created directly in manufacturing industry nowadays, even where industrial production itself is rising. In Ireland, this became quite obvious in the 1980s, when output rose rapidly but employment fell. As a result, most employment growth is now to be found in the services sector. In the case of Ireland, however, this has not been seen because most of the firms which have been expanding output (i.e. foreign firms) have been spending only a small proportion of their revenues within Ireland. Most of the spin-off employment created by these firms, therefore, is to be found in their own home countries.

To be successful, any industrial policy for Ireland must be geared to developing export markets. The internal Irish market is simply too small to support the level of manufacturing activity required to seriously combat the unemployment crisis. What is needed, therefore, is a method of developing industrial firms and sectors with export capabilities but which will spend the bulk of their export revenues **within** Ireland.

Experience elsewhere has shown that, in order to compete successfully in international markets, firms normally must be of substantial size. This is because considerable resources must be invested in research, marketing, etc. in order to survive at this level. There is

undoubtedly much room for smaller firms in niche markets, or where small firms in the same line of business co-operate to mount joint marketing and design operations. In general, however, it will be necessary to selectively build up a group of large Irish-based firms in order to expand abroad. This will require a very deliberate and long-term approach, because most Irish firms at the moment are simply too small in scale and too weak in structure to make the transition on their own.

This is not to say that there is no place for small firms in a future industrial policy for Ireland. In fact, ultimately most of the employment which will flow from a successful policy will, in fact, be found in small firms. Small firms will have a key function in providing essential inputs of components, materials and services for exporting industries. There will be an even bigger role for small firms in catering for the consumer needs generated by the increased circulation of money in the Irish economy resulting from the growth of export markets. Most small firms, in other words, are created as a spin-off effect of the successful development of bigger firms in key industrial sectors. This is the pattern in other, more developed, economies and which must be reproduced here in Ireland.

It is clear, therefore, that a much more targetted, integrated and co-ordinated approach is required for future industrial growth in Ireland. This approach must be based on understanding the linkages between the different sectors of the economy, and of how to strengthen these linkages. Industrial policy up to the present has lacked this understanding. It has thrown money willy-nilly at firms, good and bad, big and small, foreign and Irish, and hoped that a strong and coherent industrial structure would somehow materialise as a result. Ultimately, this has proved to be a very wasteful use of scarce public resources.

In sum, therefore, an effective economic development policy capable of achieving full employment in Ireland in the foreseeable future must include the following key ingredients:

- (1) It must be based on manufacturing industry as the principal source of new wealth generation within the economy.
- (2) This manufacturing sector must be integrated i.e. all key stages of the manufacturing process must be located in Ireland.
- (3) All essential support services required by manufacturing should be sourced from within Ireland.
- (4) Preferably, those firms in the key exporting sectors should be rooted far as possible in Ireland, so that their profits accrue to the Irish economy.

POTENTIAL EXPORT SECTORS

"Picking winners" as regards potential future export markets is no easy matter. At the same time, we simply **have** to be more selective than in the past in our industrial strategy. Ireland's natural resources and the learned capabilities of the workforce point to certain

areas which offer strong prospects for developing international competitiveness. These include:

- (1) Processed Food/Drink
- (2) Biotechnology
- (3) Natural Resources
- (4) Aerospace
- (5) Electronics/Information Technology
- (6) Fashion Clothing

(1) **Processed Food and Drink:** This sector is dominated at present by low-value-added processing, with a heavy dependence on the EC's intervention system and unstable markets outside the EC. There is poor integration between farm production, processing and marketing, leading to great uncertainty for all concerned and many fewer jobs than are possible. The aim must be to build on Ireland's climate, soils and reputation for a clean, green environment to build stable consumer markets within the huge European market on our doorstep.

(2) **Biotechnology** involves the manipulation of biological processes for specific purposes. Its main applications are in the areas of health and nutrition. Biotechnology is expected to be one of the major growth sectors of the coming decades. Ireland has a strong tradition of agricultural research in our universities and in Teagasc (the former Agricultural Institute). This provides the basic scientific expertise upon which a strong biotechnology sector can be built with careful planning.

(3) **Natural Resources:** Ireland's failure to develop a **metal-working** industry based on the world's largest zinc-lead mine at Navan remains one of the great scandals of our time. With two further major discoveries in the midlands due to come on stream shortly and a new exploraton drive in the offing, it is now high time to begin making up for past failure in this area.

Due to a prudent state-sponsored tree planting scheme over the years, Ireland's **forest products** industry is set for massive expansion in the coming decades. It is essential that the maximum value added is created in Ireland from native timber. There are millions of additional acres of agricultural land which would give a better return from forestry. With the fastest growing rate for trees in Europe and a virtually unlimited market available in the EC, the potential for development of this sector is vast.

(4) **Aerospace** is an area where Ireland has, through Aer Lingus's Airmotive and TEAM offshoots, already established a foothold in world markets. This will shortly be boosted by Guinness Peat Aviation's aircraft overhaul operation at Shannon. This is a very attractive sector because of its high-skill and labour-intensive nature. With appropriate skills readily available, Ireland should be able to use its uncluttered location close to major world air routes to become a world leader in this sector.

(5) **Electronics/Information Technology** is a sector where there has been a substantial amount of growth in Ireland in recent years. In addition, thousands of Irish people are working in this field overseas. While unlikely ever to be a major world actor in the industry, Ireland is capable of developing in niche sectors, again with careful planning. **Software** in particular offers considerable scope for employment growth.

(6) **Fashion Clothing:** Ireland will never become a producer of mass market clothing. However, Italy has shown how to become a world leader in high-value fashion clothing by developing a network of small production firms linked to good design and marketing facilities. Ireland should be able to build on its reputation in the woollen sector in particular to replicate the Italian achievement.

The possibilities identified here are by no means exhaustive, nor is there any guarantee of success in any one of them. They have simply been selected to show that there are areas of distinctive promise which may be worth pursuing. Only good research and planning, allied to a certain amount of risk taking, will tell us whether this promise can be fulfilled. The next section outlines how we should go about pursuing these possibilities.

4. A NEW STRATEGY FOR INDUSTRIAL DEVELOPMENT

If Ireland is to put in place an industrial base capable of creating a sufficiency of employment opportunities for both the present and future generations, a radical new departure is required in national industrial policy. This will necessitate a massive diversion of the nation's resources - financial, human, organisational and institutional - away from their current uses and into a concentrated and single-minded effort to create Irish-based industrial structures capable of establishing secure and stable foreign markets for Irish goods, and passing the benefits of these markets on to the Irish population at large in the form of jobs and comfortable standards of living for all. Such a bold and imaginative new departure will require able and courageous political leadership with a breadth and length of vision which has hitherto been notably absent from the Irish scene.

A NATIONAL FORUM ON EMPLOYMENT

New Agenda supports the calls coming from many quarters for the convening of a **National Forum on Employment**. This forum should have three functions:

- (1) To focus public attention on the seriousness of the unemployment crisis and to mobilise public support for giving top political priority to tackling this crisis.
- (2) To obtain the views of all relevant interest groups on how long-term employment creation can most effectively be promoted in Ireland.

(3) To provide a strong political mandate for radical action to tackle the unemployment issue.

New Agenda does not believe that the establishment of an Oireachtas Committee on Employment is an adequate response to the present situation. A high-profile public forum, with an independent chair and its own secretariat, on the lines of the New Ireland Forum, is essential in order to galvanise public opinion on this crucial issue.

THE NATIONAL INDUSTRIAL DEVELOPMENT COUNCIL

The National Forum on Employment must not be simply a useless talking shop. In order to follow through on its deliberations, New Agenda proposes the establishment of a statutory **National Industrial Development Council (NIDC)**, charged with formulating a broad strategy for industrial development and identifying the measures required for implementing this strategy. The report of the National Forum would form the initial agenda for the NIDC.

The Council would draw its membership, according to a formula to be agreed, from the Oireachtas, the Public Service, the semi-state sector, business interests, the trade unions, and other groups (environmental, consumer, social, etc.) with a legitimate interest in economic development and employment creation. It is vital to the success of the strategy that, once agreement has been reached, all parties to the agreement take responsibility for securing full co-operation with, and commitment to, the objectives of the strategy within their respective constituencies.

In its work, the NIDC would be supported by its own professional Secretariat, adequately funded in order to ensure the recruitment of personnel of the highest calibre. In addition, the NIDC would be advised by two key committees:

(1) A **Consultative Committee** made up of technical experts from Third Level colleges, research institutes and the research departments of social interest organisations, as well as representatives of successful public and private Irish business enterprises.

(2) A **Local Authorities Committee**, whose function would be to advise the NIDC on the regional dimensions of its industrial development strategy.

ESSENTIALS OF A NEW INDUSTRIAL STRATEGY

From the analysis presented earlier in this document, it is clear that, if it is to hold out any prospect of seriously tackling the Irish unemployment crisis, the NIDC's industrial strategy must:

(1) Identify industrial sectors and subsectors with long-term growth prospects and in which Ireland is capable of developing a comparative advantage in international markets.

- (2) Identify or establish a core group of firms with the potential to exploit fully these potential advantages.
- (3) Identify or establish firms or institutions capable of supplying essential inputs of products and services from within Ireland to the core group of exporting firms.
- (4) Create within the target firms progressive organisational and managerial structures, including mechanisms for meaningful worker involvement, thereby avoiding the rigid and outdated managerialism which typifies most existing Irish industry.
- (5) Rationalise and co-ordinate the state's business support agencies with a high-priority focus on the target sectors and companies.
- (6) Create a supervisory/co-ordinating planning body to establish specific objectives and targets, and to oversee the pursuit of these objectives and targets.
- (7) Restructure the semi-state sector, the public service and the political institutions of the state in order to create a new dynamism in support of the massive national effort required by the proposed industrial policy.

In addition to the above, the industrial planning process must incorporate the following as essential elements:

- (1) The widest possible participation by the population at large must be catered for in both the planning and implementation of industrial policy.
- (2) Industrial development should be as geographically balanced as possible, in order to provide for proper regional development and the elimination of income disparities between areas.
- (3) Great care must be taken to ensure that new industrial development is compatible with protecting the physical environment as a vital resource in its own right.

5. INDUSTRIAL STRATEGY IMPLEMENTATION

New Agenda proposes the establishment of an **Industrial Development Board (IDB)** whose function would be to provide the various support functions required for the implementation of the industrial development strategy. All of the state's existing industrial promotion agencies would be integrated into the IDB as separate divisions, as follows:

- (1) Research and Technology (EOLAS, Teagasc, Irish Productivity Council)
- (2) Education/Training (FAS, Irish Management Institute)

- (3) Industrial Promotion (IDA, SFADCO, Udaras na Gaeltachta, NADCORP)
- (4) Finance (Industrial Credit Company)
- (5) Marketing (CBF-Livestock and Meat Board, An Bord Trachtala)

A key element in the proposed support structure is an **Executive Task Force** system, whereby a separate task force, working to the strategic plan formulated by the NIDC, and comprised of professionals drawn from the relevant divisions of the IDB, would work closely with firms in each economic sector targetted by the strategic plan in order to ensure compliance with the plan for that sector. This would involve drawing up a detailed rolling corporate development plan for each client firm in the context of the overall sector plan. The task forces would also work with groups of firms to promote mergers, liaisons, joint ventures, supply agreements and joint marketing arrangements, where these are envisaged by the sector plan.

The aim of this approach is to replace the advisory and analysis emphases of the existing state agencies with a more positive and pro-active executive emphasis. It would create an integrated network which would provide more efficient linkages between the various components of the support system than is currently the case.

In providing services to client firms, the IDB would operate commercially by either (a) charging directly for these services or (b) securing shareholdings and/or seats on the board of directors in these firms. There would also be a shift in emphasis from grants to repayable loans in providing financial assistance to firms. Past experience suggests that "free" money and advice are not the best ways to encourage the emergence of strong self-reliant enterprises.

The IDB should, in particular, aim to acquire strategic share-holdings (i.e. sufficiently large to have a strong influence on major decisions) in private firms which have a key role to play in achieving sectoral development targets. This is in order to influence their investment decision-making, with a view to securing compliance with the requirements of these targets. Strategic state shareholdings would also be of importance in orienting successful firms towards locating future investments in Ireland rather than overseas. However, a flexible approach is also called for here, as overseas investments may themselves be of strategic importance in some cases to the firms in question.

6. BROADER REQUIREMENTS OF INDUSTRIAL POLICY

New Agenda is under no illusion that the strategic planning approach and accompanying institutional reforms advocated here are sufficient, of themselves, to realise the levels of industrial growth and employment creation which Ireland needs. A wide range of reforms

in other areas are absolutely essential in order to release pent-up energies and create a new culture of dynamism and enterprise in the Irish economy. These additional reforms are spelled out in the following sections.

DEMOCRATISING IRISH SOCIETY

Undemocratic structures are ingrained into Irish society. These stifle creativity and suppress energy on a vast scale. We must find ways of stimulating this creativity and releasing this energy in the cause of economic expansion. Structures must be created which will allow people in all walks of life, and at every level of society, to become part of a collective national drive towards economic regeneration.

Industrial Democracy: The process of democratisation should begin in the workplace. Workers in both the public and private sectors must be given a real say in the functioning of the enterprises in which they are employed. This must go beyond "quality circles" or token worker directors to involve substantial worker shareholdings and effective worker participation in the corporate planning process.

Reforming the Public Service: The Irish public service, at both national and local levels, has a central role to play in facilitating the new dynamism required by industrial policy. This will require a thorough transformation of the ponderous and archaic management and decision-making structures which currently typify the public service. There must be much more delegation of responsibilities in order to speed up the machinery of state and release the potential creativity of public servants which is hemmed in by present procedures.

Oireachtas Reform: Any attempt by our political leadership to seek popular support for a vision of a new, energetic and efficient Ireland will be greeted with deserved cynicism as long as the Oireachtas itself remains a part-time parliament clinging to 19th century procedures. The Oireachtas, as it currently operates, is a symbol of a failed Ireland. We need to create a new image of the political process as hardworking, business-like, and addressing the important issues which affect the nation. The so-called parliamentarians who spend all of their time in their Dail offices sending thousands of needless letters to constituents must become a thing of the past.

Political Decentralisation: Ireland has the most centralised political and administrative system in Western Europe. This has led to a situation where national politics has become preoccupied with local issues, to the detriment of broader policy concerns. Meanwhile, local initiative has been smothered by the dead hand of central bureaucracy. Real and effective political decentralisation is therefore urgently required on two counts. Firstly, in order to direct the attentions of parliamentary representatives to issues of national importance. And secondly, to allow local communities to make their own contribution to the national development effort through mobilising human and natural resources which hitherto have remained untapped.

THE ROLE OF THE STATE COMMERCIAL SECTOR

Many state-owned enterprises (Telecom Eireann, the ESB, Aer Lingus) possess key technological and managerial skills which are in scarce supply in Ireland. They are also large enterprises by Irish standards and therefore provide a ready base for expanding into international markets. These enterprises, therefore, have a central role to play as core companies around which future industrial expansion can be built.

The present preoccupation with privatisation among the main political parties is misplaced. It places the emphasis on the short-term financial difficulties of the state rather than on long-term development potential. The successful state companies should be regarded as resources for the future rather than as ready sources of cash. The fact that, in state ownership, they can be directed towards broader national objectives rather than simple profit maximisation is a consideration of major significance.

A hard-nosed and flexible perspective on the role of state enterprise in pursuing the goal of national industrial development is required. Where private enterprise offers the best potential for development in particular sectors and is prepared to work within the framework of the national industrial strategy, then it should be given every assistance to get on with the job. By the same token, where state companies are best placed to exploit industrial development opportunities, then no obstacles should be placed in their way to prevent them from doing so. Joint ventures between state enterprises and private firms should also be facilitated and encouraged where a mutual benefit offers itself. And, where investment opportunities arise which the private sector is not prepared to pursue, and which are not appropriate to any of the existing state enterprises, then new state enterprises should be established to exploit these opportunities.

If the state commercial firms are to make the maximum contribution to future industrial expansion, then certain aspects of their current operation must be reformed. They must be freed from political manipulation and departmental interference, subject only to an agreed code of conduct and the objectives and targets identified in the national industrial strategy. Appointments to their boards should be taken out of the political arena and be made instead by an independent commission. No state company should be required to pay for hidden subsidies from their own resources. Where such subsidies are deemed necessary for social or political reasons by the government, they should be costed and paid for directly from the exchequer.

Mechanisms (such as a holding company embracing all state enterprises) are also required for greater commercial interaction and cross-fertilisation within the state commercial sector. This will allow for more co-ordinated action, mergers and takeovers between state companies (where desirable), and joint ventures. This will both facilitate the spread of efficiency within the sector generally, and provide a medium whereby resources can pass from capital-rich to capital-poor enterprises.

INDUSTRIAL DEVELOPMENT AND THE ENVIRONMENT

There has, understandably, been growing concern within the population regarding the potential and actual impact of some industrial activities on the environment. Environmental protection must be given a high priority in the programme for industrial development. Ireland's relatively unpolluted environment is itself a major national economic resource and must be kept that way. The emphasis in environmental policy must be switched away from proper treatment of waste to the minimisation of waste creation in the first place. New industrial developments, therefore, should seek to eliminate hazardous waste from their production systems and should use the minimum amount of raw materials, water and energy. The Environmental Protection Agency and research institutes should be directed to work with industrial firms to develop systems for minimising environmental damage.

Irish environmental standards should not only be on a par with the rest of Europe, but these standards must be enforced rigorously. Local authorities must be given the resources necessary to carry out their monitoring duties effectively. Penalties for pollution must be realistic and on an escalating scale for recurring violations.

There is also a need for more effective **and** democratic procedures for processing planning applications for industrial developments. No individuals or sectional groups should be allowed to dominate these procedures, simply because they possess superior financial or organisational resources. Mechanisms for more effectively reconciling conflicting interests at local level are urgently required.

A EUROPEAN INDUSTRIAL POLICY

The Treaty of Rome, which in effect is the constitution of the European Community (EC), contains an explicit commitment to balanced regional development within the Community. However, progress towards closing the gap between rich and poor regions within the Community has been negligible. The bulk of the EC's resources are currently devoted to agricultural subsidies which mostly go to the most efficient farmers located in the better-off parts of the Community. While peripheral regions such as Ireland **do** benefit from these subsidies, because most of the money goes to big farmers it is not going to where it is needed most.

While there is a need to give greater assistance to poorer farmers, and while there is still much scope for agricultural development in Ireland, the emphasis in EC aid must be shifted to industrial development if there is to be any prospect of catching up with the core regions of the Community. The European Regional Development Fund (ERDF) and the European Social Fund (ESF) have been the main instruments employed by the EC to promote industrialisation in its peripheral regions. However, these have been poorly funded relative to the amounts spent on farm subsidies, and have been mainly directed towards infrastructure, grants for individual industrial projects and training. They therefore have not tackled the basic inadequacies in terms of business structures which Ireland shares with

most of the EC's other peripheral regions.

What is needed, therefore, is a **Common Industrial Policy** for the balanced development of industry throughout the EC. The money that is currently being squandered on agriculture, producing both high food prices and huge surpluses, should be used instead to fund this policy. Furthermore, this policy must emphasise the creation of integrated locally-based industry in peripheral regions, rather than the form of branch-plant industrialisation which has typified these regions up to now. The alternative to a radical restructuring of the industrial economies of peripheral regions, which will allow these regions to compete on an equal basis on EC markets, is never-ending subsidisation of the periphery by the centre.

7. PAYING FOR THE INDUSTRIAL POLICY

As detailed earlier in this document, very considerable public resources are currently devoted to economic development in Ireland, with negligible results. Much more effective use can be made of this existing funding, through better targetting and more efficient utilisation of the state support agencies, as has been outlined. In addition, the proposed shift in emphasis from grant funding to loans and shareholdings, and from free provision of services to a system of charges, would prove much less onerous on the state's coffers.

The proposed EC Common Industrial Policy, if implemented, would also provide substantial additional funding in support of the national industrial development effort. Further funding can also be made available through **tax reform** measures such as more efficient collection from the self-employed and the private business sector; widening the tax base via taxes on property, wealth and capital; and higher effective rates of company tax on manufacturing firms, which at the moment are unnecessarily low at virtually zero.

8. CONCLUSION

There is an urgent need for a major recasting of Irish industrial policy. Portrayed by most as an opportunity, 1992 in fact looms like a threatening spectre over the Irish economy. The failure of past industrial policies has left Ireland with a weak business structure which is certain to be further undermined by the increased exposure to external competition which will result from the completion of the Single European Market. Unless Ireland manages to build up its own set of strong firms capable of meeting the European challenge, Irish-owned firms will inevitably be gobbled up by stronger competitors abroad.

Unless radical and courageous measures are taken immediately, Ireland faces the prospect of perpetual underdevelopment, with those citizens who are left at home facing a future of second-class employment in branch plants of uncertain stability, or in hotels and guesthouses catering for the luxury needs of our better-off European "partners".

The policies proposed in this document do not constitute a blueprint for socialism, but seek instead to address the immediate structural problems of the Irish economy. Their primary aim is to come to grips with the crushing burden of unemployment and poverty which are now so endemic in our society. For the foreseeable future, Irish industrial policy will necessarily have to operate in the context of a basically free enterprise economy at home, and a fiercely competitive environment abroad. It is in this context that these proposals have been formulated.

However, if successfully implemented, these policies do provide vital stepping stones to a socialist future. Past experience suggests that progress towards socialism can be best achieved where full employment is the norm, rather than where society is ravaged by poverty and social breakdown. This document further places a heavy emphasis on a planned approach to economic development, where the resources of the state are mobilised primarily in the interests of the community at large. More importantly, this document regards major industrial progress as being ultimately dependent on the liberating impact of the real democratisation of Irish society. Without democracy, there can be no socialism.

In this document, New Agenda has outlined a framework for a planning process capable of providing Ireland with the kind of industrial base which will finally allow us to take our place among the nations of the earth. This framework is designed to replace Ireland's present anaemic business culture with a new culture of efficiency, achievement and success, within which human energies and creativity can be released and fully realised, and within which human values, democracy and participation can co-exist with prosperity and secure employment for all.