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The Economic Crisis: The Left Alternative

Sinn Fein

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Accepting that Ireland is in the grip of an economic crisis which has close to 200,000 people unemployed north and south with thousands more under threat of unemployment and poverty and with the total remaining workforce facing declining standards of living, the three organisations subscribing to this manifesto, have come together to analyse the origins of that crisis and point the path forward.

The problems confronting all those who seek a solution to the present crisis are both economic and political. While our discussions and consensus agreement centre on the economic steps necessary to win a way for the Irish people out of this crisis which is not of their making, we feel that basic political changes are required to solve the problems of our society. Our aim is to present the alternative economic strategy to help solve the immediate crisis, indicate the viable path towards stable economic progress and so doing mobilise the political consciousness which alone can make such policies a reality.

One of the clearest lessons of the present economic crisis is that private enterprise has totally failed, despite massive injections of public funds to prop it up. Our alternative to existing Government policies involves a distinct change in the direction of economic policy (the I.D.A. and the relations between the Public and Private Sector of Industry), the use of natural resources (Agriculture, Mineral Wealth and Oil) and the harnessing of the Irish banking system in the service of socially desirable objectives.

DIRECTIONS OF ECONOMIC POLICY

The Government leaves the task of generating fresh employment to the Industrial Development Authority which has depended almost totally on direct foreign investment in the private sector. The Authority works by handing out massive cash inducements to foreign industrialists as well as by advertising the tax-free incentives for export goods manufactured in Ireland and the availability of cheap Irish labour. The result has been the establishment in Ireland of industries with few forward or backward linkages with indigenous Irish industries or resources and an acknowledged lack of technological input into the Irish industrial pool. The failure to generate jobs from such shallow based industry emerges dramatically at precisely the period of economic stress when employment created at such cost to the community should be of most value. In the period 1970 to 1974 a total of 58,000 new jobs were created by I.D.A. action while 53,000 were lost in the same
period - a net gain to the community of 5,000 new jobs at an expenditure of more than £110,000,000 in taxpayers' money. Meanwhile, an estimated 10,000 people are being forced out of the Agricultural sector each year to seek employment in industry. 32% of the population of the State is at present under the age of 15. 300,000 new jobs must be created by 1985 in order to reduce unemployment to 4%.

In the light of these established facts the I.D.A., as the total Governmental response to the task of creating job opportunities, is at best a limited, faulty and defective instrument. Yet the Government's only initiative in the depths of the present crisis is more of the same: to increase the I.D.A.'s grant capacity to a ceiling of £400 millions in a Bill rushed through the Dail in November last with no informed criticism or positive alternatives from the Opposition, whose policies for the economy do not in any way differ from those of the Government.

THE BUILDING AND CONSTRUCTION INDUSTRY:

Urgent and radical steps must be taken this year to counter job losses and create new employment opportunities. The Building and Construction Industry, under tight state planning, can very quickly provide thousands of new jobs. The Building Industry is the source of 1/4 of all industrial jobs and involves a high usage of native materials, yet it is at present dominated by the finance houses, large private contractors and property speculators.

A socially controlled Building Industry should be created by a National Construction Company, directly building all local authority houses. Land is a prime resource of the industry and no programme of public works can be properly planned, while the land needed is in the hands of private speculators. Urban building land must be taken into public ownership.

State Companies

Any discussion on a policy to generate employment in Ireland must include the role of the State companies. It is apparent that the present Government has given no thought to the tremendous potential of existing State companies to generate employment by diversifying and expanding their activities. The opposite is the case. The E.S.B., despite its proven technical competence, is being told to cut back staff while the Government gives the Cork Gas Pipe Contract to the British Gas Corporation. The E.S.B. was refused a licence to explore for oil while prominent Fine Gael members of the Oireachtas, like Senators Paddy McGrath and Ted Russell can hire the expertise to ensure that Irish oil will only make profit for private individuals and corporations. C.I.E. is given the socially necessary but unprofitable task of maintaining regular road and rail services throughout the State but is discouraged from expanding in profitable areas on the grounds that private enterprise should get priority before State enterprise. De Facto Government policy in respect of State bodies has been to be to relegate them to the role of servicing, supporting or complementing private enterprise. A fundamental change in attitude is
required to enable State enterprise to initiate new areas of activity and to expand existing sectors without fear of the private enterprise pressures which are making the Government restrict and hamper their progress.

Mineral Resources:

The lack of even the concept of overall State economic planning is most dramatically illustrated by the meek surrender of our natural resources to foreign monopolies. Ireland is now a major supplier of mineral ore to Europe yet it uses virtually none of this wasting asset in native industry, exporting it in the raw state to the smelters and factories of Europe. Government policy has been, and still is, to allow private enterprise to exploit our mineral, gas and oil deposits. This attitude actively prevents any industrial development in metal processing industries here as private enterprise seeks only rapid extraction for maximum profits. With the raw ore Ireland allows the export of 9% of the job creation potential at a time when employment is allegedly the major Government objective.

Excuses by Government, that the expertise necessary to mine and process our own mineral wealth or drill our own oil is not available, rings very hollow indeed when prominent Government supporters like Senator Paddy McGrath, who made his money mixing counterfoils, can lead the private enterprise rush into this vital area. There must now be a decisive change in Government approach to natural resources development if any significant development in industry is to be created from our mines and our future oil discoveries.

Without any new legislation the State, through Mianrai Teoranta, is empowered to explore for, refine and process our mineral deposits. Linked to an active Mianrai Teoranta must be a State-controlled zinc smelter. Industrial development can then be directed towards the establishment of a metallurgical industry giving permanent secure employment and supplying products for the home and export markets.

Navan alone contains enough zinc and lead to maintain a native metal industry for 60 years. The extraction rate of 300,000 tons of zinc and 60,000 tons of lead in the recent Government mining lease, for export, will ensure that the mine will be exhausted too quickly to allow industry to develop here. Government priority in respect of mineral wealth should be economic and social advance through maximum employment; not private and exported profit. A major demand must be public ownership and operation of our present mines in order to prolong their productive life and ensure a constant supply of raw material for Irish industry. As private enterprise has singularly failed to provide this industry the State must now provide these metal industries through its own agencies.

A further necessary demand is the establishment of a State Oil Company to explore, produce and process our oil and gas deposits. World experience indicates clearly that unless the Government itself gets actively involved the oil multinationals will merely use Ireland as a
supplier of raw material to Europe. Our energy requirements of 100,000 barrels of oil per day can be met with one medium size oil find. We believe that such a field may exist on the Esso licence off Kinsale.

**THE ALTERNATIVE - PROPOSALS:**

We propose the establishment of a National Development Corporation along the lines of the Irish Congress of Trades Unions proposal to engage in the following major tasks of economic reconstruction:

1. A Natural Resources Division charged with the development of our natural resources of oil, gas, and minerals and with the establishment of state-owned ancillary industries;

2. An Industrial Reorganisation Division empowered to intervene directly in individual companies and industrial sectors. To organise a planned programme for State involvement up to the level of public ownership where the industries or potential industries draw on natural resources;

3. A Direct Enterprise Division which would establish State owned and controlled trading and manufacturing companies;

4. A Foreign Industries Division which will endeavour to attract investment from abroad as the I.D.A. presently does. A cardinal principle of such undertakings would be majority State equity. Such industries should be labour intensive, rather than capital intensive.

5. A Finance Division responsible for all aspects of industrial and commercial financing in co-operation with the publicly owned banking system. Once again it will be established that all finance advanced to companies will involve automatic equity participation.

This Division will also incorporate the present Foir Teo. which in the four years of its existence has advanced over £12 million to ailing companies on an ad hoc fire-brigade basis and with little expectation of having the money repaid.

No representatives of Private Enterprise should be on Boards of State Companies as is the universal practise at the moment. Directors should represent the Trade Unions, Consumers and the State.

**PUBLIC OWNERSHIP OF BANKING SYSTEM:**

Any plan involving State direction of economic policy leads ultimately to the issue of the use of the banking system. The pace of development of the whole national economy, Industry, Agriculture, Fisheries and Resources, depends on the availability of finance. At the moment Irish Banks operate in the interests of making profit without regard for the community interest, often contributing nothing to the community and sometimes causing the closure of productive enterprise while all the time transferring more wealth to the wealthy in the most socially undesirable manner possible. While in the control of private enterprise the lending policies of Banks will be dictated solely by the areas which produce a profit in the quickest time. Lending, therefore, is not to develop the economy or create jobs but to create profit.
While the Government now blames the World recession or the Arabs for the present crisis it chooses to forget that before the world oil crisis arose the State-owned Central Bank was warning against the inflation creating activities of the asset strippers, most of them supporters either of the main Government or the Opposition party.

**CENTRAL BANK:**

Government policy on the banking system, for what it has been worth, has been the responsibility of the State-owned Central Bank since its foundation in 1942. The ineffectiveness of this institution in the face of private banking interests and the straitjacket of the link with sterling has been clearly illustrated in its failure to use our massive external asset portfolio (worth more than £500 million) for productive investment purposes here in Ireland while State Companies and the Government itself have been borrowing massively on foreign exchange markets. This has led to the bizarre situation where we have borrowed and saved concurrently and succeeded in saddling the present and future generations with crippling debt repayments which will continue until the end of the century and which are increasing daily as our currency depreciates relative to those of our creditors.

The Central Bank itself has publicly recognised its hamstrung nature during the past year. This can be clearly seen in the public disagreements between Governor T.K. Whittaker and his boss, Richie Ryan, Minister for Finance, on the need for some form of economic planning.

The State has little power to plan for industrial expansion or even to prevent contraction unless it has effective control over the life blood of the economy, finance. At the moment private individuals in control of Banks make far more major decisions affecting the living standards and jobs of thousands of people than the Government. While the State is reduced to advising and cajoling the private Banks it has few effective planning powers.

Over 50% of the equity of the Irish banking system is in foreign ownership, and the profit-making of the Banks affect the viability of existing State enterprises. Last year, out of Bord na Mona's profit of £1,220,000 the Banks took more than one million pounds on interest charges. Likewise, when hotels owned by C.I.E. showed a profit last year, the Bank interest charges forced the Company to consider selling out. The Directors of the four major Banks have gained majority control over the top industrial companies and more often than not it is the Banks which make the decisions which close down or continue productive units employing thousands of the State's citizens. The high interest rates of the Banks to the State on loans as well as the enforced borrowing abroad by the State reaches the citizen in the form of increased taxes in the Budget.

Public ownership of the Banks can give the State the power to plan for industry. It will also provide the power and capital to develop natural resources as they should be developed in the interests of the whole people of Ireland.
A policy of public ownership of the Banks will rescue the Central Bank from its present role as a passive spectator of the doings of private banks and make it an effective agent of State control and direction in the interests of all the people.

**THE LEFT ALTERNATIVE:**

The alternative envisages an alteration of the control levers of fiscal and economic policy. Instead of having the State sector, taxpayers' money, and State policies propping up the private sector to the exclusion of all other activity, the Left Alternative is to allow the State sector stand on its own and develop to a maximum the resources of the country both natural and human in order to maximise employment, win socially desirable aims and ensure economic wellbeing.

The Labour Party have gone into Coalition to help win marginal gains for the working people it primarily represents. Marginal gains - like the improvement in social welfare payments and the extension of pay-related benefits - have been made but only at the expense of neglecting the major interests of the working people. What marginal gains have been made are more than cancelled out by the complete eclipse of alternative social and economic demands by the right wing capitalist policies of Fine Gael. The immediate consequence of the defection of the Labour leadership to the right wing camp has been confusion and demoralisation of the forces of the Irish left. Trade Union strength has been vitiated, faced as it is by a Government which combines expressions of social concern with the implementation of laissez faire capitalist policies, a Government with Labour faces but Fine Gael policies.

This manifesto for progress contains our alternative to the present Government policy of drifting with a crisis of disaster proportions in the hope of something turning up. Our aim is to mobilise the political consciousness which can help make such policies a reality and turn the present crisis into a bad dream.

A Study Group established by the three organisations is presently preparing a detailed study, industry by industry, of the causes of the present economic collapse. This will contain a critical analysis of the economic policies pursued by both Fianna Fail and Coalition Governments, the chaos that exists in many industries due to the lack of planning in the free enterprise system and will spell out the type of planning needed to put them on a secure and viable footing. This analysis will cover the textile, engineering, shoe and leather, building construction, and food processing industries.

We will put forward a clear alternative in each industry which could be implemented now in 1976 by a Government willing to tackle the root causes of the depressed state of the economy.

Issued by the Communist Party of Ireland, the Liaison Committee of the Labour Left, and Sinn Fein.