

Economic Growth for a Better, Fairer Society: First do no Harm

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A Hippocratic oath for economists?

Doing no harm is a central component of the Hippocratic Oath which, I understand, is taken by doctors. The Oath commits one to 'never do harm to anyone'. An Oath to 'do no harm' might also be considered for persons working in the world of political economy, high finance and local administration. I suspect that, in so far as economists would agree to such a professional commitment, they might argue about what constitutes 'harm'. One might expect to put a monetary value on 'harm' by use of shadow-pricing estimates! Not a few economists might still believe that the maxim of making nobody economically worse off and just a few better off is a good enough principle to guide public policy. According to this outlook the attainment of equality is low down the chain of priorities as higher profits and bigger salaries at the very top 'trickle down' to the rest. It's the economy stupid: first fix the public finances and restore market confidence and then everything else follows later on. In another era this was captured in the phrase that a rising tide raises all the boats. (Note the strong assumption that all boats are free to rise!)

Whereas 'doing no harm' might be somewhat easier to determine in the field of medicine (but no doubt doctors and physicians must agonise from time to time over life-risking conditions to assess the appropriate intervention), in the field of markets, government and social behaviour 'doing no harm' is likely to be a much more contested principle in practice. Much depends on the available evidence in relation to the likely impacts of a given course of action on what economists might refer to as 'variables of interest'. However, evidence is often limited (or ignored) and there is much uncertainty about impacts in a very fast-changing and unstable world. Much depends on whose principles, class interests or ideological preferences the economist is paid to represent (even if he² denies it).

Curiously, many in the economics profession are more willing than before to accept that traditional measures of economic outcome such as GDP, productivity and earnings provide a very limited, if not misleading, guide to human well-being. There has been a fast growth in the research literature on the determinants of human well-being. This research crosses different disciplines and draws on economics as a field of study examining choice, scarcity and need.

However we understand and measure human well-being there is a thread that connects the world of medicine, health – physical, mental, emotion (some might add spiritual) – to the world of economy. In every generation, culture and regime, choices are necessary about how to spend time and money as well as adapt human behaviour in such ways as to maximise well-being. Individuals, families and communities are important buffer zones to protect and promote healthy living. Governments, private corporations and various types of civil and non-governmental organisations provide some of the key values, resources and guiding principles (for better or worse) to care for and protect those who are ill or at risk of illness.

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You will be aware of a growing literature that has established a strong link between socio-economic equality and health. There is no time, here, to review that literature. Suffice it to say that there is overwhelming evidence to demonstrate that more equal societies tend to be healthier societies. The channels of causation and interpretation of relationship may be disputed but that such a link exists is difficult to deny even for the most obstinate champion of economic inequality (there are some!).

Social equality and health are closely interlinked

Promoting a debate about equality is important for the health of a society. No doctor needs to be told that jobless households, low birth weight, precarious work, poor mental health, poor housing conditions, challenging family situations, unhealthy dietary or living habits, various forms of addiction and limited access to quality health services are inter-related. You see it every day in your clinics, hospitals, medical centres and in people's homes.

Much progress has been made in raising levels of health and improving healthy living over recent generations. Life expectancy has trended upwards and various killer diseases or conditions have been brought under better control than was in the case, say, 100 or 50 years ago. Yet, far too many people experience poor health – needlessly so – in a rich and advanced economy such as Ireland. Poverty is still a big silent killer.

The current health service and system in Ireland has many admirable features of which we can be proud. Yet, there is near universal agreement that the current arrangement (which I believe has been correctly described as a 'two-tier' system) is not:

- *Sustainable* with regards to future demand matched by adequate levels of funding and resources;
- *Fair* in so far as income and wealth do matter when it comes to accessing treatment and consultation; and
- *Efficient* in so far as large outlays of necessary expenditure are not giving the results needed in relation to healthy living especially for those who are most vulnerable socially and economically.

Promoting a health system that is sustainable, fair and efficient requires an honest debate about what type of society we look forward to in this century. The failure of the social and economic model that has characterised public policy in recent decades challenges those of us tasked with imagining and concretising an alternative model or set of social arrangements.

Civil society organisations including trade unions have a vital role not only in defending worker's rights and conditions but in advancing a social programme to change Ireland into a more economically dynamic, socially equal and politically accountable place – *the best small equal healthy population in the world in which to do business*. Various civil society organisations have a crucial role in critiquing existing policy and in articulating sound, realistic alternatives.

Social equality is about equality of respect for everyone. The unique dignity of each person is respected by a society founded on principles of equality. Institutions such as the State and the Market exist to serve human need and purpose: not the other way round. However, a key dimension of equality is economic equality relating to access to those resources vital to human well-being: income, employment, health, education and caring. All of these are economic goods as well as public and social goods essential for the well-being of any community. Unequal access to employment, income and education early in life, as we know, magnifies the chances of living in

poverty, poor health and long-term unemployment later in life. Perhaps nowhere is the scandal of inequality so blatantly obvious as in the unequal access to essential health care and treatment. Successive Governments have contended with this issue. The fact is that we still have a strongly-entrenched two-tier health system where money matters in getting to the top of the queue for diagnosis and treatment.

The poor have taken the greatest hit

The Great Recession of 2008 exposed many deep, underlying problems in Irish society and economy. Even if there are some limited positive aspects to the experience of solidarity during the adjustment which followed it remains the case that the bulk of the adjustment in spending cuts, tax increases, stealth charges, withdrawal of discretionary benefits and services have fallen disproportionately on poorer households. While difficult to measure, research by the ESRI shows a disproportionate impact on households from increases in indirect taxes and regressive income tax measures especially in recent budgets. I might add the non-implementation, to date, of certain pension relief measures announced in Budget 2013.

Domestic enterprise must move to the fore

However, the crisis of 2008-2014 (it isn't over yet) exposed at least one vital failing in Irish economic policy, namely, the lack of a credible, sustainable and sufficiently ambitious native enterprise strategy focussed on exporting and on research and innovation. We continue to rely, disproportionately, on foreign direct investment (welcome as that is) to the neglect of the long-term development of a research-rich and dynamic enterprise sector capable of competing on global and home markets. Some outstanding success stories are there. However, small and medium-sized enterprises continue to fall short of what is needed. They still provide two out of three jobs and are driving some of the recent welcome pick-up in employment. However, continuing lack of access to funding and support is holding back SME's.

A Vision is needed

Looking to the future what vision is possible and what vision is desirable? I suggest that a vision of a more equal society should be based on:

- A living income for all households from 'cradle to grave'.
- A dynamic, export-orientated 'middle strand' of enterprises to complement micro- and large-scale enterprises.
- Full employment with a target of 80% employment rate for working-age adults.
- Decent work with decent conditions of remuneration, working hours, paid leave entitlements and workplace participation coupled with strong and more effective legal and institutional protection for workers especially those who are most vulnerable.
- Excellent public services encompassing a universal social – not private – health service, education including early childhood care and a strong social protection net which guarantees income, training and work opportunities where appropriate for all residents of this State.

Six key areas of public policy

Key to future economic success will be the following six critical areas of public policy:

1. A new banking system that works for households and enterprises
2. Adequate levels of taxation to pay for excellent public services

3. Reform of our health and education systems to make them accessible to all and to raise, further, the quality of their outcomes (the two goals of equality and quality of outcomes not being exclusive of each other as OECD research demonstrates).
4. A national investment strategy to rebuild and renew Ireland's infrastructure especially in the areas of social housing, community health services, renewable energy, retro-fitting, water and broadband.
5. Strengthening of collective bargaining rights and employment protection to tackle the economically and socially damaging area of low-pay and precarious work (we can see evidence of rising precariousness and low pay, for example, in the area of personal care and home help for the elderly where public authority is outsourcing such services to companies run for profit).
6. A move towards a decarbonised economy in gradual steps through appropriate investment and shifting of taxation to 'bads' allied to an adequate living income for all (and here I am not just talking about sugar and fat but commodities that pollute the environment!).

Without a re-structured and cleaned up banking system we will not see the speed of economic recovery needed to bring about full employment. I would suggest a Banc Glas – a new Green Bank formed as a separate commercial entity from AIB and BOI, publicly controlled and accountable and competing in the market for enterprise lending, small to medium-sized saver deposits and investment in 'green technology'. Such a bank could work in tandem with the European Investment Bank and help rebuild the damaged areas of our economy. Perhaps a leaf could be taken from the founding legislation for the Industrial Credit Corporation in the 1930s? The proactive, advisory role of ICC in the 1980s in anticipating enterprise failure and intervening before it was too late could be an important function of a new bank.

Avoiding and dealing with occasions of temptation

In the ancient Greek epic poem, *Odyssey*, the ship of Odysseus sails past dangerous rocks as his ears are tortured by the sweet song of the Sirens. This song drove Odysseus mad with desire, and his sailors had to tie him to the ship rail, prohibiting him from giving in to temptation. If it were not for this the ship would have crashed on the rocks. I suggest that all talk of income tax cuts (as distinct from tax reform) is a dangerous form of modern day political temptation for the following reasons:

- Tax-cutting during an on-going period of fiscal adjustment is highly questionable when the government deficit is still in excess of 3%;
- The evidence reviewed by OECD and other analysts is underwhelming concerning the claimed growth impacts of cutting income tax;
- Cutting taxes and removing people from the tax net undermines the goal of excellent public services; and
- it undermines the goal of an equitable, balanced and inclusive income tax system.

I suggest that it when comes to cutting taxes everyone remain tied to the ship's rail for the foreseeable future.

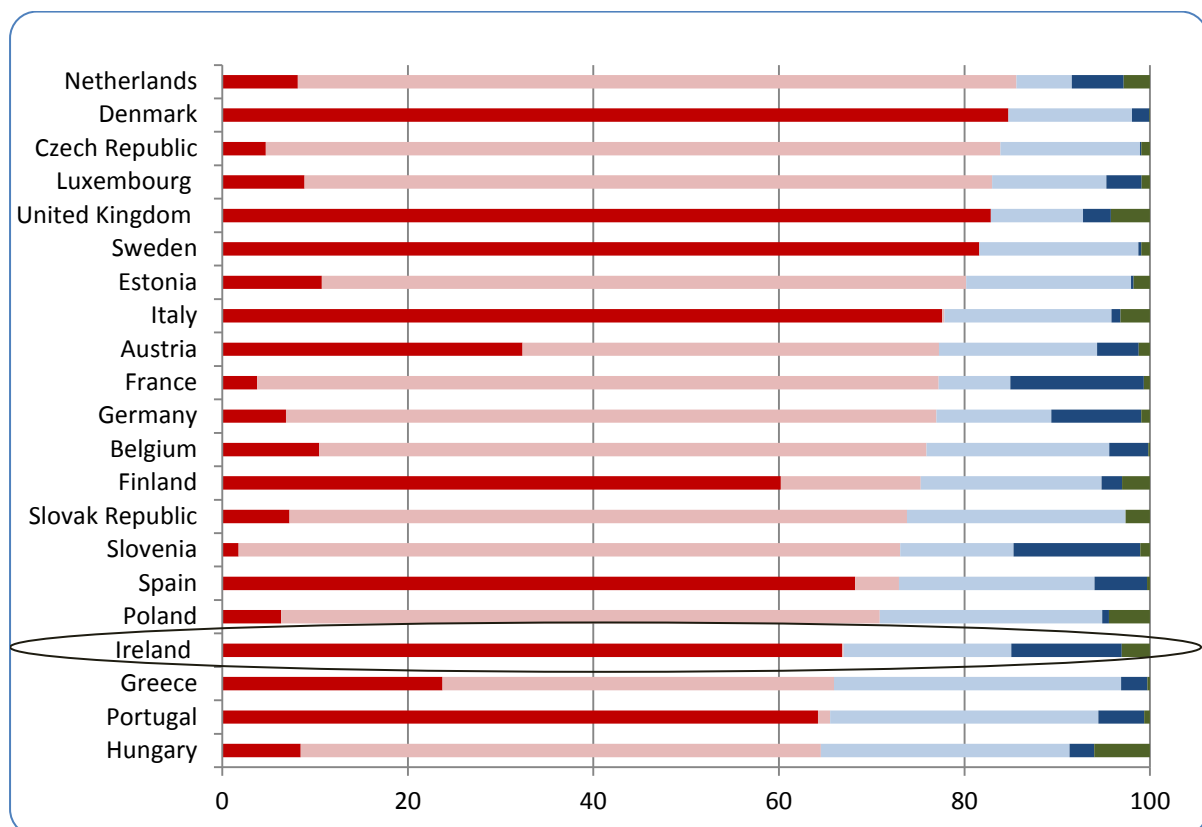
How can we talk about tax cuts when public services are under such severe pressure as they are now with very inadequate levels of provision and investment in mental health services, special needs, community care and elder care?

Reforming and improving public service

Yes, I know that it will be said ‘what about reforming public service so it delivers more for less without imposing extra taxes on businesses and workers?’ That is a fair comment and one that needs to be addressed because there is no point in making the case, as I am, for European level taxes (I didn’t mention Nordic) without also addressing any inefficiencies, duplication or lack of accountability in public service delivery. Progress has been made. More is needed. But, it would be less than honest to claim that we can meet the challenge of increased population, more people over 65 in the coming decades and rising demands for better health and education services by just squeezing more and more out of what remains in the public service. Put simply and bluntly, our tax levels are not adequate to pay for the levels of public services we want. It is as simple as that. Yes, there is scope for higher taxes on wealth and income at the upper end of the wealth and income spectrum. However, revenue buoyancy from faster economic growth and additional revenue flows must also come from a greater level of tax on the middle and lower income groups as well as higher taxes on capital and on high-income households. This is highly contentious and few if any in the political sphere would risk contesting an election on the basis of higher taxes. However, at the core of our debate on equality and the future of our economy and society is the need for an honest, evidence-based, value-led debate on the role of taxes, public services allied to strong and dynamic enterprises.

By way of example, the chart, below, shows that not only is Ireland out of step with most other European countries in terms of the proportion of total funding coming from public sources, but we seem to have a particular aversion to using social insurance funding mechanisms to meeting public good needs such as health.

Sources of Total Health Spending , 2011 (OECD Health at a Glance)



Looking to ways of achieving a new social contract that delivers better public services based on a dynamic and export orientated economy will require a big shift in thinking because:

- The best way to ensure greater social equality is to increase Ireland's 'social wage' by way of a proper employer and employee-funded social insurance system – this will pay for education, health and income during periods of learning, unemployment, sickness or retirement.
- The best relief to give hard-pressed working families is to stop cutting further into education, health and welfare which only impact disproportionately on poorer households.
- The best way to reward work is to pay decent living wages.
- The best way to tackle poverty is to create decent jobs that pay, not welfare-dependent households which must rely on a fragmented combination of tax reliefs and welfare payments.
- The best way to create employment is through enterprise – public, private and voluntary/not-for-profit and not excessive reliance on large footloose multinational companies (welcome as they are).
- The best way to fix our public finances is to grow the economy – not to continue cutting our way out of a deficit.
- The best way to abolish our two-tier health system is not by introducing a privatised and so-called universal health insurance model but by going for a properly funded and efficient European social insurance model.
- And the best way to raise levels of happiness and well-being is by economically empowering individuals and communities so that they can live lives of worth and mutual support and caring.

And in conclusion...

In five years time, we remember An Chéad Dáil and the Democratic Programme. That Programme contained the following pledge:

It shall be the first duty of the Republic to make provision for the physical, mental and spiritual well-being of the children of the State. Likewise it shall be the duty of the Republic to take such measures as will safeguard the health of the people and ensure the physical as well as the moral well-being of the Nation.

In many ways the unfinished business of the democratic revolution unleashed at that time was the goal of social equality and true emancipation. Today we see a rise in homelessness, poverty, precarious and low-paid work, the scandal of zero-hour contracts and the corrosive effect of long-term youth unemployment and under-employment where skills and human capabilities are wasted.

People – and younger people in particular – need a break. But they need more than a break – they need a new social contract that works for everyone.

Ar scáth a chéile a mhaireann an pobal agus ní neart go cur le chéile mar shaoránaigh na poblachta seo.

We live in each other's shadow and there is strength in pulling together as citizens of this Republic.

It is time to face the future with a new vision for this Republic.

Thank you for listening.