

Investment Vital for Jobs

David Begg, Congress General Secretary

The sad truth about the current crisis is that there are no 'green shoots' of recovery. Almost daily there are new sightings in ever more obscure areas of the economy, with statistics tortured to make them reveal the news we desperately want to read. But that doesn't make it real.

The fact is that without some investment stimulus to create jobs and generate domestic demand, the austerity policies of this Government will drive us into deep depression.

But don't take my word for it. Consider instead the views of the arch conservative *Lex* column, of market bible the *Financial Times*: "The process of fiscal adjustments across the Eurozone is so arbitrary, so uncoordinated, and – in countries like Ireland and Greece – so savage, that the cure is as likely as is the disease to kill the patient."

The *Financial Times* considers *Lex* as the paper's 'agenda-setter'. These are no throwaway comments.

The imposition of austerity measures as the sole instrument of fiscal policy – allied to the 'hope' that exports will save the day – is not simply a pragmatic Government response to our troubles. It is a deeply ideological response, a product of the same flawed philosophy that brought us to this sorry pass.

It is based on the theory of 'Ricardian equivalence' – the belief that private spending by consumers will automatically compensate for the money Government has sucked from the economy. Our Fianna Fail led administration is not alone in their embrace of this notion – the British Tories are on the same ideological page.

Historical ironies aside, the Ricardian concept is riddled with holes and rather short on supporting evidence. And it was this fact which surely motivated the *Guardian's* economics editor, Larry Elliot, to describe the recent UK budget as "very, very risky...a colossal gamble."

Here, the dice has been rolled and 439,100 jobless people await the outcome. Today, 13.7 percent of our workforce – 3 percent over the EU average – exists in a state of enforced idleness and dependency. And this is

almost certainly an understatement: count in those forced abroad, those staying in or returning to education and you are closer to 20 percent.

The many personal tragedies that lie behind these numbers are known to unions all across the country. That desperation seeped into the national media recently when a former building worker told *Liveline* that he was now reduced to stealing milk. His self-employed status meant he had no access to social welfare benefits.

I have no doubt that his situation is common, given that bogus self-employment was endemic in the construction industry, as a device to help employers evade the financial and other responsibilities that come with direct employment.

In these dreadful circumstances, for Government to have no plan for jobs is not only inexplicable, it is unforgivable.

In February 2009 – a full 17 months ago - Congress made jobs and employment the cornerstone of the alternative strategy we proposed. We suggested two principal initiatives:

- Save existing jobs through work sharing and state intervention in the labour market, as seen in 20 other European countries. Germany has suffered no rise in unemployment despite suffering a 7 percent decline in output, using this approach;
- Increase spending on infrastructure to mitigate the effects of the collapse of the construction industry.

The case for investment in infrastructure is compelling, economically and socially. The industry has seen a 50 percent collapse in employment, from 286,000 in 2007 to 129,000 today.

Many of the jobless are now moving into the category of 'long-term unemployed' and the longer they stay there, the harder it will be to get them back to work and the greater the cost for the exchequer.

Every €1m spent on infrastructure can create 8 to 12 jobs. Moreover, by focussing on labour intensive projects the employment impact of investment is maximised. There is also a multiplier effect of (approximately 1:1.24) as every person working creates demand for goods and services.

Investment is the key word. Quality infrastructure services a social need – as with schools and hospitals – and we still have major deficits. Investment in water supply, broadband, smart energy metering and roads will boost national competitiveness.

We cannot afford to deplete our productive capacity and our skill base so much that we lose the means to effect recovery.

Unless we create growth, the deflationary policies of Government will fashion a spiral of decline from which it could be impossible to recover. Growth cannot occur without investment.

Two leading US academics - Reinhart and Rogoff – have conducted an examination of global financial crises over eight centuries (*This Time is Different*). They conclude that it is not possible for a country to export its way out of a crisis when that crisis is global.

If Government persists with its ideological obsession to reduce borrowing below 3 percent of GDP by 2014, they will break the back of this country. It is as stark and as simple as that.

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