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SECOND PROGRAMME
for
ECONOMIC EXPANSION

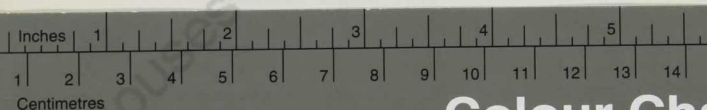


*Laid by the Government before each House
of the Oireachtas, August, 1963*

Houses of the Oireachtas



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EXPANSION



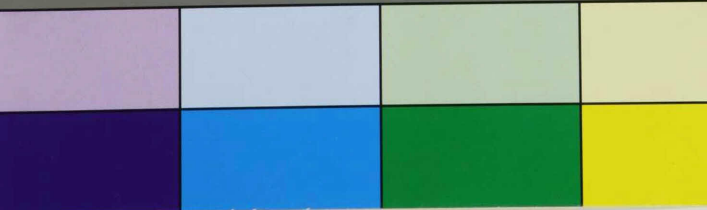
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Houses of the Oireachtas

SECOND PUBLICATION WITH BROWNE
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SECOND PROGRAMME

for

ECONOMIC EXPANSION

*Laid by the Government before each House of the
Oireachtas, August, 1963*

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CHAPTER 1

OBJECTIVES

AIMS AND ACHIEVEMENTS OF FIRST PROGRAMME

1. The Government's first programme for economic expansion was published in November, 1958. It outlined the objectives of economic policy in agriculture, industry, tourism and the other main sectors of activity. It dealt specifically with the role of the State in promoting economic development, both directly through State investment and indirectly through the encouragement of private enterprise by grants, loans, tax incentives and other means. The programme was introduced at a time of concern about Ireland's capacity to progress economically at the rate needed to give all who want to live in Ireland an acceptable income. Its aim was to accelerate progress by strengthening public confidence, indicating the opportunities for development, and encouraging a progressive, expansionist outlook.

2. Economic growth is expressed in terms of Gross National Product (GNP) which is a measure of the money value of the goods and services which become available to the nation annually from economic activity. In 1958, after years of slow economic growth and deficits in external payments, to predict more than a 2% per annum increase in GNP in real terms for the years immediately ahead seemed too hazardous. This 2% growth rate was mentioned not as a target but as a deliberately modest forecast of what action on the lines of the programme might be relied upon to achieve. It was recognised that to achieve this forecast would be a welcome psychological tonic, as well as a materially advantageous

achievement, whereas failure to reach a more ambitious target would risk re-creating a mood of despondency inimical to enterprise and effort.

3. We have reached the final year (1963) of the first programme a much better-off nation than in 1958. The rise in the community's standard of living during the four years to 1962 is expressed by the increase of about $18\frac{1}{2}\%$ in GNP measured at 1958 prices. This increase has been achieved in conditions of near-equilibrium in external payments. Over the period 1958-63, employment created in industries and services has come closer to offsetting the continuing and not unexpected movement of manpower from the land. During 1961-62 the long-established excess of emigration over the rate of natural increase of the population was reversed. The population is rising again, though slowly.

PERIOD AND CONDITIONS OF SECOND PROGRAMME

4. These achievements demonstrate how effective a positive, integrated statement of attainable objectives, backed by State aids and incentives, can be. New enterprise, increased productive investment, more intensive use of existing capacity, higher labour productivity, better organisation, have all been in evidence. The external environment, too, has on the whole been favourable to progress. The success of the first programme is, however, represented above all by a pronounced change in national mentality. The more confident, dynamic spirit which now prevails is the best guarantee of continued progress in the difficult conditions of the years to 1970. It is doubtful, however, whether the extent of the effort required is yet widely realised. In these years every sector of the economy must adapt itself to the new economic environment created by the evolution of the European Economic Community (EEC) and the movement towards freer trade in Western Europe and in North America, the areas with which we have the closest trading relations. The 1960's as a whole have been

taken by the United Nations and by the Organisation for Economic Co-operation and Development (OECD) as a decade of development. The Government, therefore, consider it appropriate that the second programme should extend to 1970. The seven-year period of the second programme—from 1964 to 1970 inclusive—must be viewed as a period which will be dominated by the urgent need to adapt, re-equip, extend and reorganise all sectors of the economy to ensure the greater strength and efficiency needed to prosper in a more acutely competitive world.

MEANING OF A PROGRAMME

5. A programme is an attempt to apply to the management of the nation's economic affairs the same foresight, organisation and determination as a competent and prudent person applies to the management of his own household or business. In a democracy the national economic programme cannot be authoritarian. It proceeds on the assumption that there is widespread public agreement on making as much economic progress as possible and on the means by which such progress is to be achieved. Objectives and priorities are outlined but the programme does not in every instance specify how they are to be attained. Rather is it educative and indicative, combining help and guidance from the State for private enterprise with direct State action where this is needed to ensure full use of productive capacity. Targets may be set for the main sectors of the economy but it would be unrealistic to break these down into targets for individual enterprises. The penalty—and it is no light one—involved by failure to reach a target is the slowing down both of individual and national progress.

6. Programming involves making the most reasonable estimate of the increase attainable in total production on certain assumptions about major factors such as population, individual output, exports, capacity to finance capital needs. An attempt must be made to foresee the relative contributions of agriculture, industry and

services to overall expansion and to define the economic and financial policies needed to secure maximum output of competitive goods and services. It is only if these policies are effective, and internal and external conditions are favourable, that the desired growth rate can be achieved. A target is an indication of the progress the economy can make if certain assumptions and conditions are fulfilled ; it is an aim, not a promise.

IMPORTANCE OF EXPORTS AS CONDITION OF GROWTH

7. In Ireland, more than in countries of larger population with a stronger industrial sector, a critical importance attaches to exports. Because of our small home market, it is mainly through exports that economic expansion can be achieved. For us, domestic policies and practices must be such as to keep our output adjusted in price and quality to the need to secure a progressive increase in exports of both goods and services. This is the essential condition of growth and it must govern our whole approach to programming.

8. Because of the dependence on exports as a source of growth and because of the rapidly increasing degree of international economic interdependence, it would be unrealistic to prepare any economic programme for Ireland without considering what is likely to happen in the major countries with which we have close economic relations. Through our membership of the OECD we are in constant touch with developments and objectives in North America and Western Europe. Moreover, our desire to enter the EEC, as soon as it is possible for us to do so, envisages an even closer degree of co-ordination and harmonisation of economic policies with the Community. It is impossible to predict when the way will be open to membership of the Community but for the purposes of this programme it is assumed that Ireland will be in the Community before 1970.

TARGET OF 50% INCREASE IN GNP, 1960-70

9. A 50% increase in real income by 1970 as compared with 1960 (equivalent to an average annual rate of increase of 4.14%) was adopted as a collective growth target for the countries comprising the OECD at the first meeting of the Ministerial Council of the Organisation in November, 1961. The promulgation of this target by the Organisation was intended not merely as a psychological stimulus but as a positive aid to the achievement of high rates of growth in individual countries, on the principle that only in a general climate of expansion can individual countries, particularly those in process of development, hope to make maximum progress. We have in fact maintained more than a 4% average advance over the whole period since 1958, a greater rate of growth than was achieved during any similar period in the history of the State. Allowing for the increase in GNP in 1961 and 1962, the average annual rate of growth required over the period 1963 to 1970 in order to advance 50% in the decade is 4.4%. It is necessary to sustain this rate on average over the coming years in order to provide the increased employment and rising standards which will be expected by our citizens; and the studies undertaken show that it is possible, though by no means easy, to realise this aim, despite the downturn in 1962 and the initial difficulties of adjustment to greater competition and other economic changes, provided there is sufficient unity and strength of purpose.

10. In 1960, Ireland's GNP was £669 million at the prices then prevailing. The target is an increase of 50% in *real* GNP by 1970—that is, a flow of goods and services in 1970 of just over £1,000 million, valued at the same prices as those which ruled in 1960. The actual expansion achieved may, of course, vary from year to year, reflecting variations in the level of economic activity, internal and external. Fluctuations in the rate of growth are inevitable and, indeed, natural. Any prolonged failure to realise the rate of progress aimed at would necessitate serious examination of

the difficulties and of the possibility of overcoming them before any thought were given to lowering the aim itself.

EXTERNAL AND INTERNAL ENVIRONMENT

11. The collective commitment regarding economic progress undertaken by all the major countries with which Ireland has economic relations promises an *external* environment favourable to Ireland's second programme. As regards the *internal* environment, an important Report on "Policies for Economic Growth" published by the OECD in November, 1962, contains the following general conclusion from the experience of the 1950's:

"The most general pre-condition for rapid economic growth is the existence of an adequate and sustained pressure of demand on the productive resources of the economy. Where this condition is fulfilled, there develop generally optimistic and dynamic attitudes among entrepreneurs and workers. In turn, the record suggests that the existence of such confident expectations about the possibility of disposing of additional output produces, in the event, rapid increases in productivity through their effects on investment, innovation and mobility."

MAINTENANCE OF DEMAND

12. The Government will use the means open to it to maintain adequate—while avoiding excessive—demand as a basis for maximum economic advance. In Ireland, as already explained, we are particularly dependent on external demand for our goods and services as the mainspring of economic progress. To promote favourable conditions of both external and internal demand will require the sustained co-operation of all engaged in economic activity, including farmers, managements and trade unions as well as credit institutions. A sound relationship between rising production and incomes is of central importance in maintaining and improving competitiveness and in ensuring that economic growth proceeds steadily. There must be

enough spending—capital and consumer spending in due proportions—to keep productive activity at the highest rate consistent with reasonable stability in the external balance and in the internal price level. Too much strain either on external payments or on prices, whether its source is excessive credit or increases in profits, dividends and pay which outrun productivity, can be disruptive of economic progress.

HUMAN FACTORS

13. The importance of human and psychological factors in Irish conditions cannot be over-stressed. The contribution of physical capital alone to economic development can never be sufficient. It is a well-established fact that progress owes much to a statistically “unidentified” factor, which may be education, training, good health, organisation or other human qualities and skills. This, of course, is not surprising, for the creation of wealth depends on people and their attributes and attitudes. People themselves are inspired, and progress is influenced, by such fundamental factors as their sense of religious, social and patriotic duty and the extent to which their equal human dignity as individuals is recognised and respected.

EDUCATION AND TRAINING

14. In the second programme special attention is devoted to education and training. Since our wealth lies ultimately in our people, the aim of educational policy must be to enable all individuals to realise their full potential as human persons. The increased production which is a major aim of the second programme will provide the resources for educational improvement. Better education and training will support and stimulate continued economic expansion. Even the economic returns from investment in education and training are likely to be as high in the long-run as those from investment in physical capital.

15. The formulation of a long-term policy for education will be completed after receipt of the reports of the Commission on Higher Education and of the Investment in Education survey which is being made in conjunction with the OECD. Since, however, changes and improvements in the educational system will yield their fruits only over a long period, measures to rectify what appeared to be the greatest weakness in the field of post-primary education have been under consideration. Proposals were recently announced which will (1) provide comprehensive post-primary education for pupils in areas that hitherto did not have such a facility, (2) bring the vocational school course to a parity of standard and status with the present secondary school course, (3) place parents and teachers in a better position to guide children, in the earlier years, towards an appropriate choice, in accordance with their particular aptitudes and interests, as between academic and technical subjects, in preparation for their future careers, (4) establish a Technical Schools Leaving Certificate Course and Examination which will give the country a systematic supply of youth with a sufficient technical education to become the technicians and technologists which the planned economic expansion will demand, and (5) provide an increasing number of scholarships to help able children to reach the highest educational attainments.

16. Meanwhile, also, more resources will be devoted to school buildings and equipment and to the training of additional teachers. Progress on these fronts should make it possible to raise the school-leaving age before the end of this decade. A beginning has been made with the revision of the curricula in the primary and secondary schools so that they will accord more closely with present requirements, particularly in relation to mathematics, science and languages. This revision will continue until it is fully completed. Further stress will be laid on developing oral proficiency in modern continental languages as well as in Irish. In framing the syllabuses, account will be taken of the recommendations of the Commission on Irish, as well as the proposals for scientifically graded courses which will

emanate from the special linguistic survey which is at present being carried out. Grants will be provided towards the setting up of a language centre, including a fully equipped linguistic laboratory, in which teachers of modern languages, Irish and other, will be given special courses which will train them in the most modern teaching methods.

17. In the process of economic expansion industrial managers have a key role to play. The raising of productivity depends largely on their competence and energy and it is they who are chiefly responsible for the decisions by which the range of economic activities can be extended. State assistance will be made available for management training and education. To ensure the economic expansion that is planned for the years immediately ahead, more attention must be paid to imparting new skills and new knowledge to those who are already engaged in industry, agriculture and other economic activities, both as workers and managers. Re-training and in-service courses in Vocational Schools will be extended and further specialised courses introduced. The agricultural advisory service will concentrate on development of farm management skills.

18. Improvements in individual and general welfare depend on the best utilisation of our resources of human energy and intelligence. This in turn depends on capacities and skills being developed, on employment being created at higher levels of capacity and skill, and on improved mobility of the labour force as between occupations and areas. Economic progress is retarded—and social discontent increased—to the extent that people are under-employed or are engaged in activities which are less productive than those which would be opened up by better education, training, medical care and “human investment” generally. It is the Government’s aim, therefore, that improvements in social services in the widest sense—including education, health, vocational training and housing, as well as welfare payments—will go hand in hand with the economic advance realised under the second programme.

RESPONSIBILITY TO AID LESS FAVOURED COUNTRIES

19. However great our own needs may be, we could not be satisfied with a completely self-centred programme of development. By comparison with most of the world's population, we in Ireland enjoy a high living standard and recognise an obligation to help less favoured countries. Private and public aid in various forms has been given for many years past to such countries but we must envisage increasing it and making it more systematic according as our own economic capacity grows.

EMPLOYMENT AND EMIGRATION

20. The second programme is more specific and ambitious than the first concerning the desired improvement in employment, as well as in living standards. Net emigration, as measured by the net outward passenger movement by sea and air, has already declined substantially in the early years of this decade—from 43,000 in 1960, to 27,000 in 1961 and to 21,000 in 1962. At this figure—the recent level is lower—emigration no longer causes population decline. Its progressive reduction is one of the basic aims of the new programme. There will always be some voluntary emigration from Ireland but in time this should be increasingly offset by immigration. In modern conditions the tendency is for business firms to move into and to expand within communities where labour is abundant and the EEC Commission have expressed themselves as supporting this desideratum. In a Europe in which manpower shortage has become the most serious impediment to growth, Ireland will have a special opportunity in the future to create, by intensive promotion of industries and services, an increasing number of home outlets for those leaving the land and for young persons newly seeking work, and, in time also, for some of the Irish workers now living abroad who may wish to return home.

BASIC PRINCIPLES OF SECOND PROGRAMME

21. Though the second programme is more comprehensive than the first and the economic and social environment will be different,

the basic principles of the first programme, as set out in Part I of the 1958 White Paper, will remain fully applicable. It is still expected that the private sector, stimulated and guided by public policy and supplemented where necessary by State initiative, will be the principal source of new productive projects. The main emphasis in public activity will be on productive expenditure which will increase the national output of goods and services capable of meeting competition in export markets. Earning and saving will continue to be encouraged by fiscal policy. Higher productivity and greater competitiveness remain the key to permanent improvements in employment and community welfare.

SUMMARY OF OBJECTIVES

22. The second programme will, therefore, be distinguished by the following principal characteristics :

- (i) It will cover the period to the end of this decade.
- (ii) It will have as its chief objective the raising of the real income of the community by 50% in the 1960's, in line with the collective target of the OECD.
- (iii) Its complementary aim will be to secure the progressive reduction of involuntary emigration so that by 1970 net yearly emigration will be reduced to 10,000 at most. The net increase in employment envisaged in the decade is 78,000.
- (iv) Special attention will be given to education, training and other forms of "human investment".
- (v) The obligation of Ireland to give increased aid to less developed countries will be recognised.
- (vi) The basic principles underlying the first programme will continue to be respected.

NEED FOR INTERNAL COHERENCE

23. In the remainder of this outline of the second programme a more detailed examination is made of the means by which the objectives at (ii) and (iii) in the previous paragraph can be achieved, the framework of the programme is laid down and the importance of consistency between the various elements explained. It cannot be over-emphasised that a programme is not self-propelled and that it can be wrecked by internal stresses. Experience in many countries provides a warning of the extent to which economic growth can be impeded by conflict between different interests. A keener awareness of the frustrating effect of such conflicts, a higher sense of the national interest and of economic and social interdependence, and the adoption of more orderly procedures will help to avoid them in Ireland. It is one of the aims of programming to lay the basis for the necessary understanding and concern for promoting both national and individual progress on which good sense and co-operation in economic relations must be built.

NEED FOR FLEXIBILITY

24. Every difficulty and every opportunity of the years ahead cannot be foreseen. There is certain to be great scientific and technical advance; many new developments will occur and new products and processes be introduced; external trading conditions may be transformed. Changes in the technical, economic or other fields may from time to time necessitate modifications of the programme. Flexibility is of the essence of programming. But steady pursuit of the chief objectives, confidence and resoluteness in overcoming setbacks, intelligent anticipation and adaptation, continuous and reasonable co-operation between all sectors in the national interest, are both the conditions and the guarantee of success.

CHAPTER 2

SOURCES OF GROWTH

BASIC GROWTH FACTORS

25. The sources of growth of real national product—the means by which we can attain the target of the second programme—are increases in productive employment and in output per person. Taking employment first, the total number at work in 1960 was 1,058,000. With GNP rising by more than 4% per annum, employment should rise by almost $\frac{3}{4}\%$ per annum, so that by 1970 total employment would be 1,136,000—an increase of 78,000. A corresponding fall of over 20,000 in the average numbers unemployed should result, giving an unemployment rate of under $3\frac{1}{2}\%$. In association with this increase in employment, the fall in the annual emigration which occurred during the first programme would continue, so that by 1970 annual emigration would be no more than 10,000.

26. The second basic growth factor, productivity or output per employed person, will carry the main responsibility for economic progress. With employment rising at nearly $\frac{3}{4}\%$ per annum, an average annual rate of growth in productivity of nearly $3\frac{1}{2}\%$ will be needed to realise the desired annual average increase of more than 4% in GNP. This rise in output per worker is less than was achieved during the first programme. During the years 1958-62, there was little change in total employment and output per worker rose at an annual rate of 5%. In the years following 1958 the task of raising productivity was made easier by the existence of under-utilised capacity, but in the years ahead the economy will

have to adapt itself to conditions of freer trade. An average annual increase of $3\frac{1}{2}\%$ per person employed can be achieved by more efficient organisation and marketing, by investment in skills and in new plant and equipment, by the speedy application of new ideas and by the introduction of new processes. The measures by which productivity can be raised in the major economic sectors are discussed below and the crucial role of investment is discussed in Chapter 3.

GROWTH RATES

27. The main activities in which national production is generated are agriculture (including forestry and fishing), industry and services. To these must be added net income from abroad. The contribution made by each of these sectors in 1960, and expected from each of them in 1970 (at 1960 prices), is shown in Table 1.

TABLE 1
GROWTH RATES, 1960-70

Sector	Sectoral products in 1960 at current prices £m.	Percentage increase between 1960 and 1970	Average annual % rate of change 1960-70	Sectoral products in 1970 at 1960 prices £m.
Agriculture, forestry and fishing	139.9	31	2.7	183
Industry	164.1	97	7.0	323
Other domestic (including stock appreciation adjustment)	245.0	43	3.6	350
Net foreign income ...	33.7	-47	-6.2	18
GNP at factor cost ...	582.7	50	4.14	874
Indirect taxes less subsidies	86.1	50	4.14	129
GNP at market prices ...	668.8	50	4.14	1,003

The anticipated behaviour of employment and productivity in each sector is shown in Table 2.

TABLE 2
CHANGES IN EMPLOYMENT AND PRODUCTIVITY, 1960-70

Sector	Employment in 1960 (000's)	Average annual % rate of increase 1960-70 in sectoral products	Annual average % increase in		Change in employment 1960-70 (000's)	Employment in 1970 (000's)
			Employment	Productivity		
Agriculture, forestry and fishing	392	2.7	-1.8	4.6	-66	326
Industry	251	7.0	+3.0	3.9	+86	337
Other domestic	415	3.6	+1.3	2.3	+58	473
GNP	1,058	4.14	+0.7	3.4	+78	1,136

AGRICULTURE

28. Agriculture is so important in the Irish economy and has such potentialities for increased production that primary attention must be given to utilising to the full the contribution it can make to national growth. If this contribution is to be as great as possible, it must take the form mainly of an expanded supply of foodstuffs for which there is a good demand, resulting from the efficient use of manpower, land and other resources. This is the economic ideal. The social ideal is to obtain the increased economic production from the maximum number of family farms. The material well-being of agriculture and of the whole economy is interdependent. In a country, such as Ireland, which is still under-industrialised and in which the agricultural sector provides a relatively large part of output and employment, it is evident that a prosperous agriculture is essential for the national well-being and for economic and social progress.

29. The growth target proposed for agriculture is an annual average rate of increase of 2.7%, so that in 1970 gross agricultural product would be about 31% greater than in 1960. This is a higher rate than has been achieved in the past decade, though it has been attained during part of that period and is well within the technical capacity of Irish agriculture. A considerable effort by farmers, with State support, will be necessary if the target is to be achieved. The target figure is also based on the assumption that, in the second half of the 1960's, international market arrangements for our agricultural products (which at present, due to reasons outside the control of the Government, are unsatisfactory) will be considerably improved, as a result, *inter alia*, of our being admitted to membership of the EEC. At present, a major factor impeding agricultural growth is the depressed and disorganised state of international markets, and the solution to this problem must be found if our agricultural potential is to be fully realised. The Government will do all in their power to assist in the achievement of the agricultural target and will maintain the policy of substantial investment in, and support for, agriculture within the limits of their resources. They recognise the desirability of a strong and progressive rural community and their aim is that the economic family farm should enjoy an acceptable living standard, bearing a reasonable relationship to the living standards afforded by other occupations.

30. The objective, therefore, is an expanding and efficient agriculture and an expanding agricultural income per head. In the conditions prevailing in the world today, the maintenance of a reasonable balance between agricultural and non-agricultural incomes is by no means an easily achieved objective even in highly developed countries. In the past decade farmers' incomes in all the more advanced countries have risen more slowly than the incomes of other sections of the community. Total demand for food in such countries does not respond significantly to income increases or price reductions and expenditure on food does not grow as rapidly as expenditure on

other things. Consequently, food production, aided by technological advance, has outstripped effective demand. The tendency for farm incomes to lag behind is aggravated by other factors, such as the intrinsic nature of agricultural production which makes it less responsive than industrial production to market changes, the dislocation of world markets for most agricultural products, due mainly to agricultural protection and price and income support in the industrialised countries, and the hazards of irregular harvests and yields. It is also accentuated by structural deficiencies such as holdings which are too small to permit of full utilisation of available labour.

31. Our major dependence on export markets for the sale of agricultural produce, as well as the general state of development of the economy as a whole, restricts the extent to which price and income support can be given to agriculture compared, for example, with what industrialised countries such as Britain and Germany can afford. A considerable measure of farm income support in relation to our resources is, of course, already afforded by means of guaranteed prices for wheat, feeding barley, sugar beet, milk and pigs, and indirectly through the link with British guaranteed prices provided by the Anglo-Irish Trade Agreements in the case of Irish store cattle and Irish store sheep and lambs fattened in Britain. State subventions are also given to reduce certain production costs, as in the case of fertilisers and rates on agricultural land, and there is considerable expenditure on land improvement and agricultural education and advisory services. The home market, as in other countries, is largely reserved for domestic food producers but, as food consumption is already high by international standards, it cannot be expected to increase markedly, even though further industrialisation will have a directly beneficial effect by expanding non-agricultural employment and purchasing power, leading to a higher demand for such foods as meat, milk, cheese, bacon, eggs, fruit and vegetables, and especially for processed foods. Home demand for food, however, will not be large enough in the foreseeable future to provide as strong a natural

support for agriculture, nor will national income be high enough to permit of as high a degree of price or income support as in a more highly industrialised country.

32. The fundamental problem confronting Irish agriculture at the present time is that, while the capacity exists to expand production substantially, current international trading conditions favour the profitable disposal of only certain forms of additional output. The conditions prevailing in the export markets in which we must seek outlets for the greater part of our increased produce are not favourable for some of our food products, notably dairy products, pigmeat, and other grain-derived produce. At the same time, there is a growing recognition of the need to promote a more orderly organisation of world markets in the interest of trade reciprocity and balanced economic development and to make further progress in using world food surpluses to ease the problem of malnutrition and hunger in needy areas, e.g., under the World Food Programme of the United Nations and FAO. It is reasonable to expect that the efforts now being concentrated in organisations like the UN, the FAO, the GATT and the IMF will result in some progress towards more orderly marketing and greater stability in prices at a more remunerative level. The success of these efforts depends on the co-operation of the two major food importing areas, Britain and the EEC, which are natural outlets for Irish agricultural exports, as well as of the USA which is a major market for Irish beef.

33. All these considerations point to the need for concentration on three aspects of agricultural policy :

First, it is essential to seek, through trade agreements with other countries, particularly Britain, and through eventual participation in the EEC, improved and stable access on reasonable terms to export markets, while ensuring that Irish agricultural products are sold to the best advantage by raising marketing methods and techniques to the highest level of

efficiency. It is necessary and equitable that there should be an agricultural counterpart to the freeing of trade in industrial products. This should take the form, as in the EEC, of a movement towards equality of prices received by farmers in countries which are moving towards freer trade with each other in industrial products. Ireland would support any arrangement to this end which would contribute towards a more efficient utilisation of international agricultural productive resources and would afford a better opportunity of realising her agricultural potential pending eventual participation in the common organisation of markets of the EEC.

Second, it is an indispensable condition of success in attaining our agricultural target that there be a more rapid rate of improvement in productive efficiency. There is, undoubtedly, room for such improvement and it is particularly important in our case that it should be achieved because of our dependence on exports and the strong competition we face from other exporting countries. Government assistance to agriculture will, therefore, be directed primarily to this objective. It is accepted, at the same time, that so long as the present disorganised conditions in international markets persist (conditions which, in the absence of Government intervention, would cause a very serious imbalance between agricultural and non-agricultural incomes), the policy of price support must be continued subject to the limitations already mentioned.

Third, in areas where small holdings predominate, Government policy will be directed towards strengthening the farming structure through the creation of viable family farm units with minimum disturbance of the population.

34. The achievement of increased productivity in agriculture will necessitate, above all, a further expansion—and a more widespread utilisation—of the agricultural education and advisory services. These will be supported by research programmes designed to facili-

tate improvements in farming practices in a reasonable period of time. It is clearly desirable that every young man who intends to make his living on the land should have, first of all, a good general education. At a suitable age also he should receive some systematic training in agriculture. Otherwise, he will be unable subsequently to derive full benefit from, or apply effectively, the guidance and assistance which are provided by the agricultural advisory services. Special consideration will, therefore, be given to the adaptation and development of education to meet agricultural requirements. A beginning has already been made with the winter farm schools and the introduction of a scheme for the part-time education of all young farmers is being studied.

35. But success in farming does not depend only on the men; it is equally important that girls who are to spend their lives on the land as farmers' wives should be as well educated and have as good a general understanding of rural matters as the men. The successful operation of a farm depends on the intelligent and effective co-operation of husband and wife. The development of a rural home advisory service for girls and women on the land, which will form an integral part of the agricultural advisory services is, therefore, being planned. The aim is to create a comprehensive rural home advisory service and arrangements for a pilot experiment are already in train.

36. While the partnership of the State and the local authorities in the agricultural advisory services will be continued, certain measures of reorganisation are contemplated. It is proposed that, in future, greater representation on County Committees of Agriculture will be given to persons who, while not members of the County Councils, are outstanding leaders in the practice or promotion of agriculture in their areas. It is intended also to define more effectively the functional relationship between the Chief Agricultural Officers and the Instructors for whom they are responsible, between the Chief

Agricultural Officers and the Committees which employ them, and between the Committees, their staffs and the central advisory staff of the Department of Agriculture who are, in practice, an integral part of the agricultural advisory services. It is proposed also to give additional financial assistance to the "Congested Districts" counties to enable them to provide an adequate advisory service.

37. The co-operative movement and other rural organisations can be a potent and progressive educational factor in our agricultural life by stimulating the adoption of improved agricultural practices and inducing a realisation of how much can be achieved by co-operative effort. A survey of the co-operative movement has recently been undertaken by an American expert and, when his report is received, consideration will be given to the future structure and functions of the co-operative movement. The agricultural advisory services will continue to work closely with the co-operative movement and with rural voluntary organisations in everything that relates to improving our agriculture by education, advice and example. The Government attach particular importance to the development teams recently established which have as their special task the co-ordinated promotion of agricultural production and other economic activities in counties where small farms predominate.

38. Efficiency in marketing methods and techniques is, of course, also very important. We now have representative marketing organisations for the principal farm products which can benefit from centralised exporting—milk and pig products and potatoes. The marketing arrangements for these and other products will continue to be improved in relation to changes in selling techniques and consumer demand and must eventually be adjusted to Common Market requirements.

39. The contribution of agriculture to economic expansion will be the greater if effort is concentrated on these products for which the

market prospects are best. Cattle, live and dead, is our principal farm product, both in total output and in export value; and it is also, fortunately, the product for which increased export demand is most likely. A major aim of the second programme is to raise the output of cattle from 1,046,000 in 1960 (1,065,000 in 1962) to 1,500,000 in 1970—an increase of 454,000 or 43%, almost all of which will be for export. Over the next few years the total elimination of bovine tuberculosis—and consequent reductions in cullings of cows from herds—will facilitate the achievement of this target; so also will continued improvement in the fertilising, managing and stocking of grasslands, better farm buildings, greater control of diseases such as brucellosis and parasitism. Appropriate policies will be applied to promote the desired increase in cattle production. Schemes such as the subsidies on fertilisers and grants for farm buildings and land improvement, which are designed to increase production at lower unit costs, will be continued. These measures encourage the use of better farming techniques and, at the same time, help to maintain and increase farm income by reducing farmers' expenses. In the longer term gradual adjustment of our cattle prices (which are relatively low by European standards generally) to European levels, in the context of membership of the EEC, may be expected to provide a sustained stimulus to expansion of the national herd.

40. Next to cattle, milk and milk products are the largest element in agricultural output; indeed, cattle and cattle products between them account for about 50% of total agricultural output. While attainment of the policy objective of increasing our cattle and beef production should be facilitated by the anticipated trends in demand and in the international beef/milk price ratio (which is expected to move in favour of beef), it must be recognised that, in the circumstances obtaining in Ireland, an increase in milk output will be an inevitable concomitant of increased cattle production. This additional milk will be for disposal abroad in processed form since domestic consumption of milk and butter is already high and, if export prices

remain low, there will be a substantial increase in the cost of supporting milk at the present price levels. Ultimately, in Common Market conditions harmonisation of milk price levels and of conditions of competition between members of an enlarged EEC should provide a common solution to the problems of the milk market.

41. The recent survey of the dairying industry has shown that there is considerable scope for better returns to creameries and farmers through improved organisation. Improvements in efficiency will be encouraged at farm and creamery levels, including necessary rationalisation or diversification of production. Improvement in milk prices which would be a consequence of joining the EEC would facilitate desirable changes.

42. Exports of pig, as of milk, products are uneconomic at the prices currently realisable on export markets. The cash return from sales of these products abroad is of major economic significance in the national accounts; hence the importance of reducing the cost per unit produced so that there will be a bigger national profit, or smaller national deficiency, as between economic cost and realised price. The Pig Progeny Testing arrangements and the Accredited Herds Scheme will be expanded so as to raise the basic quality of our pigs to a high, uniform standard. More efficient methods of feeding and management can also play a large part in improving the economics of pig raising and, as in dairying, there is scope for reduction in processing costs at the factory end. In pig production competitive advantage is largely determined by the price of feed. It is important, therefore, that production should not be handicapped by feed grain prices being excessive in relation to the price at which comparable feed grains are available to our competitors in other countries. A policy of reasonable balance between pig and barley prices will continue to be very desirable. In the longer term, membership of the Common Market could be expected to open up wider opportunities for our producers of pig-meat and other grain-derived products.

Harmonisation of grain prices among member countries would tend to equalise conditions of competition.

43. An encouraging development is the sustained increase which has been taking place in sheep numbers and in lamb and wool production. Sheep numbers have more than doubled in the post-war years. There are reasonable prospects of profitable export outlets for lamb and wool in the years ahead and every effort will be made to encourage the development of production, processing and marketing. Programmes aimed at raising the output of early lamb and improving wool yield and quality will be expanded and farmers, particularly in the West, will be encouraged to increase sheep production, which offers a reasonable level of profits while requiring only relatively small capital.

44. In horticulture there is scope for expansion provided our produce can be kept competitive on export markets in cost, quality and presentation. The processing industry offers favourable prospects for large-scale increases in sales of fruit and vegetables and the growing of horticultural crops on a contract basis should be an important means of increasing output and income on smaller farms. Comhlucht Siúicre Éireann, Teoranta, has entered this field in recent years and plans to increase production substantially during the period of the second programme. The Government will support fully all economic possibilities for development in this sphere.

45. Profound changes have been taking place in Irish agriculture. The numbers engaged in agriculture have been falling—by some 20% in the 1950's, which was the general European experience—and this downward trend seems likely to persist as the living standards demanded by the farming population rise in line with those of the community as a whole. The fall in the numbers engaged in agriculture in Ireland has been reflected in the growth in the total number of holdings between 50 and 200 acres and the reduction in

the total numbers of all other categories, a tendency which has been accelerating in recent years. This has come about partly through the work of the Land Commission, partly as a result of private consolidations. In order that further consolidation may proceed in a rational and effective manner in the areas where structural reform is most needed, the Government have decided to introduce various schemes aimed at securing that idle and underworked land and the lands of retired farmers shall become available to strengthen the position of those who are at present under-employed on inadequate acreage. Recognising also the need for a family farm capable of survival in the conditions to be expected in the next few decades, they have directed the Land Commission to aim where practicable at the achievement of a farm unit of 40-45 acres of good land.

46. While the movement towards an increase in the average size of holding is likely to persist for economic and technological reasons, the Government will make every effort to promote the more intensive use of land within the limits dictated by market possibilities for Irish agricultural products in order to raise income levels on the smaller family farms and so retain the maximum number of people in agriculture consistent with economic and social progress. Agricultural education, advisory and research services, agricultural credit institutions, marketing organisation and external trading policies will all take full account of the need to attain this objective.

47. The target for agriculture, if achieved, would mean that output per person engaged in agriculture would rise at an annual average rate of over $4\frac{1}{2}\%$. Since this is rather more than the rate of productivity increase expected in other sectors, it should lead to a progressive narrowing of the gap between the incomes in agriculture and those in other occupations. The numbers at work in some agricultural pursuits, such as the growing of fruit and vegetables, will rise over the period to 1970, but it would be unrealistic not to expect a net decrease in the total number. It is estimated that by 1970

agriculture will provide employment for nearly 29% of the total number engaged in the economy as a whole and contribute 21% of the Gross Domestic Product.* These percentages are high even by comparison with other Western European countries at the present time. In 1960 Danish agriculture provided 21% of total employment and 16% of GDP; in the Netherlands agriculture accounted for 10% of both total employment and of GDP. The continuing fall in the numbers engaged in agriculture in all countries is a consequence of market limitations on the one hand and of the technological advance of agriculture and of the whole economy on the other. The aim must be that as many as possible of those who decide to leave agriculture are afforded a full opportunity of contributing to the growth of national output in other sectors of the economy. There are some opportunities for alternative employment in forestry and fisheries but most of the new jobs must be provided by industry and services.

FORESTRY

48. The annual planting programme of 25,000 acres of new forests has been in full operation since 1959/60. This rate of planting will be maintained during the second programme, subject to the availability of suitable land. The further extension of private planting will be encouraged. Nearly 5,000 workers are employed directly in the State forests and this number will grow as the planted acreage is increased and as existing forests mature. The emphasis in recent years on the acquisition and planting of forest land in the western counties means that forestry will play an increasingly important role in the economy of these areas. Since 1958 Work Study has been extensively introduced in forest field operations to secure improvements both in output and operating techniques and has assisted materially towards reducing operating costs. Additional measures to

*Gross Domestic Product=Gross National Product *less* net income payments from the rest of the world.

increase efficiency and promote economic timber production are under consideration. Forest research has been expanded rapidly and research into the properties of Irish timber is being promoted in liaison with the Institute for Industrial Research and Standards. Ready market outlets are available for mature sawlog timber but it will be necessary to ensure in good time that additional pulp mills are established to provide economic outlets for the increasing flow of thinnings expected during the years ahead. The Industrial Development Authority is giving special attention to this problem.

FISHERIES

49. Expansion of sea fisheries calls for the provision of suitable vessels, for trained skippers and crews, for adequate harbours and for effective sales promotion both in home and export markets. These problems are being tackled by the Programme of Sea Fisheries Development announced in a White Paper in April, 1962. Specially designed boats are being built, including one type of 65 feet in length capable of extended operations off our coasts, and another of 32 feet for catching shellfish. Substantial grants and other incentives are available through An Bord Iascaigh Mhara for the purchase of boats and engines, and facilities for repair and maintenance are being extended. Urgent attention is being given to the problem of increasing the number of trained skippers and men, and a campaign has been undertaken to publicise the training facilities available. A regional advisory service is being provided to improve fishing techniques and promote co-operation among fishermen. Major fishery harbours are being developed and work is continuing on the improvement of smaller harbours. Good markets are available at home and abroad for fish and fishery products, and a market development service is being established to assist in sales promotion. Expenditure on sea fishery research has been greatly increased; a second exploratory research vessel is about to be built and a Fisheries Research Station will be established.

50. The development of inland fisheries will continue with a view to increasing exports and improving angling as a sporting amenity and tourist attraction. An annual grant-in-aid of £75,000 has already been assured to the Inland Fisheries Trust for the next few years for the development of game fishing, coarse fishing and sea angling. The promotion of inland fisheries will also be fostered by the Department of Lands, Boards of Conservators and the ESB; the growing number of local angling organisations will be encouraged to participate in this work. It is confidently expected that these developments, coupled with the tourist promotion activities of Bord Fáilte, will attract growing numbers of angling visitors and, in conjunction with the expansion of salmon fishing, fish farming and eel fishing, will contribute to increased exports.

INDUSTRY

51. The main contribution to the future expansion in GNP, both by way of increased employment and increased production, is expected from industry. If agricultural growth for any reason falls short of 2.7% per annum, industry will have to step up its contribution further. Industrial expansion will have to be achieved in a world which is moving towards freer trade in manufactured products and in which competition is becoming more intense. In these circumstances our industrial economy faces two problems: adaptation and development. There must be adaptation of existing industries so that their products will progressively achieve the highest standards of competitiveness on both the home and export markets. This was an urgent task when membership of the EEC seemed imminent. It is no less urgent now that the prospect of membership has been postponed for some time, for postponement of itself does nothing to improve the prospects of Irish goods in export markets, rather the reverse. Exports are the key to national prosperity: it is only by winning sufficient export orders against growing competition from other countries that the expansion of production and employment envisaged in the programme can be realised.

52. In all Irish industries there are firms whose outlook is dynamic, whose equipment and methods are up-to-date and whose output is expanding. The reports of the Committee on Industrial Organisation, however, have shown that these firms, though they may account for a high proportion of output in their respective industries, may be in a numerical minority. The Committee found that in many industrial concerns buildings were unsuitable, procedures and equipment obsolete, direction and management unenterprising, operative training inadequate and the range of variety in production too wide. In these firms the urgent need of reorganisation is receiving insufficient attention, and, even since publication of the Committee's reports, there has been no convincing indication that sufficient thought is being given to preparing for the more acute competition that lies ahead. In a number of the industries surveyed, only the minority of progressive firms has made sustained efforts to develop exports. In many concerns there is great scope for improving efficiency, and the recommendations of the CIO indicate the direction in which they, and the industries of which they form part, should move. Plant and machinery must be modernised, the organisation of work improved, modern techniques of management introduced; the level of technical skill must be raised, restrictive practices by both management and labour removed, a greater degree of specialisation introduced, market surveys undertaken, and the possibilities of joint action in export marketing and other fields explored. Adaptation Councils can play an important role in carrying out the adaptation measures necessary to prepare industry for freer trade and all industries which have not already done so should urgently and seriously consider the establishment of Councils.

53. During the second programme the emphasis will be placed on securing the widest and most effective use of the inducements offered by the State to firms to increase their efficiency. Generous grants and special loan facilities are available towards the cost of re-equipment and adaptation. Under the Technical Assistance Scheme,

recently extended in scope and size, grants are available of up to 50% of the cost of engaging industrial consultants and of sending management and labour on training courses. These activities will be supported because experience both here and in other countries has shown that very substantial increases in productivity and efficiency can be obtained by applying expert advice, frequently at very little cost in additional investment. If industries are to become and remain competitive, it is vital that they keep abreast of new knowledge and its implications. There must also be greater emphasis on research and development, and this may require co-operative effort because of the relatively small size of most Irish firms. This co-operative effort will be assisted and supplemented through the Institute for Industrial Research and Standards whose growing research facilities should be availed of by industry to the fullest extent possible.

54. The improvement in the efficiency of existing industries, and in particular the development of industrial exports, is of such vital importance to continued economic expansion that, besides aids and inducements, other measures must be applied to ensure adequate progress. A 10% cut in protective tariffs was made on 1st January, 1963. A further cut will be made on 1st January, 1964, and the general aim is to achieve a reduction of the order of one-third by 1st January, 1965, the process of reducing protection to be continued thereafter, with due regard to developments in our trading relations and to the conditions affecting particular industries. Indeed, a progressive reduction of protection, apart from being a stimulus to efficiency, is the price we must expect to pay, in any international context, for improved outlets for our own exports. More selective action may be needed to quicken the pace of change in any industry in which costs are high because effective steps towards modernisation and improvement have not been taken.

55. Tariff reductions and the efforts by industrial concerns to increase their efficiency will reshape our industrial economy. These economic

changes will not be achieved without difficulty for the individual businessman and the individual worker, but they must be carried out in the interest of the community. Continued expansion depends on the necessary changes being made quickly and smoothly. In these circumstances, it is reasonable that the community should encourage and facilitate economic change by contributing to the costs which it imposes on individuals. As this process of change develops, some firms and industries may meet insuperable difficulties and serious problems will be posed for the towns and localities which are now largely dependent on them. These problems are being tackled in three ways. Firms are being encouraged to switch to new lines of production by grants, special loans and accelerated depreciation allowances. Industrial grants will be applied to attract suitable new enterprises to the areas which are adversely affected. Arrangements will be made to provide that workers who lose their employment are retrained for employment in industries which are expanding and that they are assisted in resettling in the places in which these expanding activities are located.

56. The improvement in the competitiveness of existing industries must proceed side by side with the broadening and deepening of the industrial base. There are differences between the industrial structures of countries which are now at a higher stage of economic development than Ireland. The differences are slight, however, when compared with the similarities. All these countries have diversified industrial structures in which almost all of the main branches of industrial activity are represented. The second programme will attempt to strengthen our industrial structure by an active promotional campaign to secure the establishment here, where economically feasible, of major industries which we now lack.

57. In attracting new industries to broaden the industrial base, the main inducement will be industrial grants, which have proved their effectiveness during the first programme, supplemented by fiscal incentives to greater efficiency and higher exports. The scale of

capital grants will be maintained at current levels, but additional flexibility will be exercised by An Foras Tionscal in the assessment of grants for industries which are needed to lay the base for further activities. The Committee on Industrial Organisation has recommended that industrial grants policy should be amended so as to promote the growth of major industrial centres; a special examination is being made of this recommendation and the related question of establishing industrial estates at these centres. Additional resources will be given to the Industrial Development Authority so as to enable the pace of industrial promotion to be accelerated. The Government will, in due course, submit proposals to the Oireachtas for the repeal of the Control of Manufactures legislation; no obstacle must be placed in the way of the external investment which will complement our own efforts to achieve the growth targets.

58. The objective of the second programme is to increase industrial output at an average annual rate of 7%. This expansion is of the same order as that realised during the years 1958-62. It is expected that this rate of growth will be achieved by an average annual increase in productivity of nearly 4% and in employment of 3%. If these expectations are fulfilled, industrial output in real terms will be 97% greater and output per industrial worker will be 47% greater in 1970 than they were in 1960, and over the decade industrial employment will rise by 86,000. A net increase of 86,000 in the numbers employed in industry will require the creation of a much larger number of *new* jobs: new jobs will be needed for the workers now engaged in industry who will have to transfer to different employment as conditions become more competitive, as well as for the new entrants to the industrial labour force who will come either from agriculture or from increases in the population of working age. The expansion of the industrial sector is a key objective, because the reduction in emigration, the improvement in productivity and the expansion in services all depend primarily on its achievement.

ENERGY

59. The aim is to ensure that energy supplies are adequate to meet the developing needs of the economy and that they are met from native resources as far as is economically possible. The supply of primary energy must be raised by at least one-third by the end of the second programme to meet the growing needs of agriculture, industry, services and domestic users. The percentage of the total energy requirements which can be supplied from native sources in 1970 will be approximately 35% compared with 40% in 1961.

60. The ESB plans to increase its installed generating capacity by about 93% by 1970 as compared with 1960. This represents an average annual rate of increase of nearly 7%. The present rural electrification scheme will be completed during the second programme. Oil-fired stations will be interposed with turf stations so that electricity supplies may be assured, however unfavourable to turf production, or to the accumulation and maintenance of water reserves, weather conditions may be. On the ESB system hydro is given first priority and turf stations second priority. Developments in other countries in the application of nuclear energy for the generation of electricity are being kept under continuous review by the ESB. The capital costs of nuclear stations are so high at present that, if they are to be economic, they must be given a priority for base load. Unless the size of an economic nuclear station is considerably reduced, the necessary base load would not be available for such a station within the projected expansion of generating capacity for at least another ten years.

61. The programme of Bord na Móna provides for an increasing production of turf for the ESB turf-burning stations which are planned to come into operation during the second programme. By 1970, the Board's total production will reach 4.2 million tons, an increase of 200% as compared with 1960. The production from

the Board's three briquette factories will be raised to an annual rate of 300,000 tons during the next few years, and it is planned to raise exports to 50,000 tons a year. By 1970 the Board will have reached the end of a period of rapid growth. As well as being a period of expansion, the years to 1970 will be years of consolidation and the Board is planning further advances in mechanisation and improvements in methods to enable it to keep its prices competitive.

62. An extensive scheme of exploration was carried out in the Leinster and Connaught coalfields with moneys provided from the Grant Counterpart Fund. This scheme has established with considerable precision the extent, thickness and quality of the coal seams in these coalfields. This information is available at the Geological Survey Office and will enable the existing colliery owners and any other interested persons to plan development of the deposits in the most efficient and profitable manner. It should now be possible to say with a reasonable degree of accuracy whether a particular seam would be worth exploiting in whatever economic or other circumstances may exist at any time.

63. The country is becoming increasingly dependent on oil for its energy requirements, and it is estimated that by 1970 oil consumption will be more than double the 1961 consumption. By 1970, almost one-half of the country's total primary energy requirements will be met by oil. The existing capacity of the refinery will not be sufficient to meet the estimated demand in 1970 and the economics of extending refinery capacity will have to be considered well in advance of that time.

64. There is scope for considerable improvement in the efficiency of fuel utilisation, particularly in the industrial and domestic fields. It will become increasingly important to improve fuel efficiency because of the growing dependence on imported energy sources. The improve-

ment will be encouraged by the recent increase from one-third to one-half in the grants towards the cost of fuel efficiency surveys.

SERVICE INDUSTRIES

65. The services sector covers a very wide variety of activities, ranging from transport, banking, insurance, teaching and personal services to public services such as administration and defence. Some of these are mainly causes of economic development, others are largely consequences, and many are both. Education at all levels raises personal productivity by imparting new skills, techniques and ways of thinking. Banking and insurance services are essential ingredients in the growth of agricultural and industrial output. In contrast, some personal services, such as entertainment and catering, may follow development, reflecting the growing incomes of those engaged in other sectors.

66. It is expected that the output of the services sector will be nearly 43% greater in 1970 than it was in 1960, implying an average annual rate of increase of 3.6%. It is anticipated that this will be achieved by a 14% increase in the numbers employed, so that by 1970 the numbers engaged in this sector will be approximately 58,000 greater than they were in 1960.

TRANSPORT

67. Because of its economic and social importance, transport as a service industry calls for special mention. The programme will aim at achieving the most economic forms of transport compatible with adequate provision for the needs of the community. An assessment is being made of the implications for internal transport (rail and road), aviation and shipping of the target of a 50% increase in GNP by 1970.

68. Córas Iompair Éireann is at present conducting a comprehensive study of future public transport needs the results of which will be available later this year.

69. A study is being made of the roads programme to determine whether the national network of roads is being adequately developed to cater for the 7% annual growth of road traffic which is estimated to continue throughout the second programme. A comprehensive national traffic census is being undertaken by the Department of Local Government and, when its results have been processed and analysed, it will be possible to establish the priorities to be observed in the roads programme.

70. It is becoming increasingly difficult to acquire extended traffic rights abroad for the national airline since, in spite of international efforts towards liberalisation of traffic, the tendency seems generally to be towards greater restriction. Aer Lingus must, therefore, increase frequencies on established routes, use aircraft with larger capacity, develop air vehicle ferry and cargo business to the maximum and use its European system as a feeder for its long-haul transatlantic service. The Aerlínte transatlantic jet service, which is being increased by the acquisition of a further jet aircraft, has to rely heavily on the connecting services into Europe provided by Aer Lingus and these, in order to compete against direct services between North America and Europe, must be of high quality and operated with modern aircraft. The proposed purchase of four short-haul jet aircraft will help the Company to double its Continental traffic by 1970, as is the aim, though special promotional effort by Bord Fáilte will also be necessary if the Company is to achieve its target.

71. The target of 200,000 tons d.w. for the dry-cargo fleet of Irish Shipping Ltd. has been re-examined in the light of the increased speed and efficiency of modern vessels and of changes in national requirements of essential commodities since the target was originally

calculated. The study undertaken shows that the present dry-cargo fleet of Irish Shipping Ltd. totalling 155,000 tons d.w., is adequate to meet strategic requirements. In addition there is some 24,000 tons d.w. of privately owned shipping. Additions to the fleet of Irish Shipping Ltd. will be considered when commercial considerations so justify. The existing tanker fleet of the Company totals 39,000 tons d.w. and the possibilities of negotiating remunerative long-term charters for additions to this fleet are now being actively explored. New tankers will be acquired if such charters are assured.

72. Existing and planned harbour facilities are generally adequate both from a national and a regional point of view. The growth of trade through the larger ports, however, will require continued investment to cater for larger vessels and to meet the expansion in trade associated with the projected annual growth rate. Normally, all harbours should be operated as commercial undertakings; maintenance charges and the improvements required by expanding trade should be financed on a commercial basis.

TOURISM

73. The fact that imports are expected to increase by 80% during the 1960's (see Table 3) underlines the importance of increasing receipts from invisible as well as visible exports. The most important invisible export, and the one which offers the greatest prospects of growth, is tourism, the gross receipts from which have increased steadily in recent years, and amounted in 1962 to £46 million, exclusive of receipts by Irish carriers from visitors, or 16% of total exports. The programme aims at a doubling of tourist income between 1960 and 1970. The tourist industry is at present assisted in a variety of ways (e.g., traffic promotion by Bord Fáilte, loans, tax allowances and grants towards improvements of hotels and resorts) and substantial State assistance to tourism will continue to be chan-

nelled through Bord Fáilte. The Government expect private enterprise and local interests to assume an increasingly active role.

74. Bord Fáilte is increasing development activity at home and promotional activities abroad. Efforts are being made to lengthen the holiday season. The ten-year scheme for the development of major resorts, inaugurated under the first programme, will be completed during the second programme. Grants will also be made for provision of entertainment facilities at these resorts and improvement of other amenities will continue. The standards and efficiency of hotels will be improved. A special body has been set up with responsibility for staff recruitment and training. Grant and loan facilities will be continued to encourage the expansion in accommodation—especially in medium and low cost accommodation—which will be needed to ensure the desired increase in tourist earnings. In addition, a campaign will be undertaken to increase the number of visitors who spend holidays in private houses, particularly in the western areas, and efforts will be made to encourage the growth of “package” holidays (for which an inclusive charge is made). The policy in general will be one of balanced growth responding to market potential.

75. Britain will continue to be the principal market but the American market is also being developed and it is hoped to attract an increasing number of visitors from Continental and British Commonwealth countries whose potential has so far scarcely been tapped. Entry by tourists has been facilitated by the new airport in Cork and improved facilities at Cobh and Dún Laoghaire, and improvements are also planned for Galway. Aer Lingus has inaugurated car ferry services on a number of routes and will extend similar facilities on other routes if traffic warrants. As a result of negotiations between the Department of Transport and Power, Bord Fáilte and British Railways, a drive-on car ferry service will be provided by British Railways on the Dún Laoghaire/Holyhead route in 1965.

TELEPHONES

76. The importance of an efficient telephone service to the commercial life of the nation in present-day conditions is self-evident. The telephone system here is not yet as developed as in other Western European countries, either as regards the number of telephones per 100 of population or the standard of trunk line and exchange installations. As the economy expands, the demand for more telephones and the pressure upon existing facilities naturally increase. It is the Government's aim to ensure that sufficient capital and other resources are provided to enable the telephone service to be developed efficiently.

NET INCOME FROM ABROAD

77. In 1960, £34 million was contributed to the GNP from the net inflow of profits, wages, pensions and emigrants' remittances. By 1970, it is envisaged that the contributions coming from these sources will, in real terms, be just over half their levels in 1960. This will happen because the achievement of the growth target will involve some foreign disinvestment and foreign borrowing which will reduce the net inflow of profits, and because the continuing fall in the rate of emigration will reduce the net inflow of remittances.

78. The previous paragraphs have described the intended increases in employment and productivity during the currency of the second programme. As these are realised, they will increase the productive potential of our economy and the resources available for distribution. The use of our expanding resources is discussed in Chapter 3.

CHAPTER 3

USE OF RESOURCES

THREE MAIN USES OF RESOURCES

79. Broadly, there are three uses to which the 50% increase in GNP between 1960 and 1970 may be put: (1) investment to maintain production and expand it further, (2) personal consumption of goods and services, and (3) public consumption of goods and services, by which is meant the wages and salaries paid, and purchases made, by the Central Government and other public authorities in connection with the provision of public services. These are not, strictly speaking, alternative uses because the first—investment—is a prior condition of the realisation of the 50% increase in resources. If this increase is not realised because investment is short, less resources will become available for consumption, whether private or public.

CONTEMPLATED EXPENDITURE PATTERN

80. Table 3 indicates the change in the pattern of expenditure between 1960 and 1970 which is contemplated by the programme. It represents a movement towards the pattern obtaining in other countries whose per capita GNP now approximates to the level we hope to achieve by 1970. The table also includes corresponding figures for 1962; the increase in investment in that year was associated with a substantial increase in stocks.

TABLE 3

CHANGES IN EXPENDITURE

	1960 £m.	Per- centage of GNP	1962 (at 1960 prices) £m.	Per- centage of GNP	1970 (at 1960 prices) £m.	Per- centage of GNP
Gross domestic capital formation (including changes in stocks) ...	96.6	14.4	119	16.7	180.7	18.0
Personal consumption of current goods and services ...	502.3	75.1	532	74.7	717.7	71.6
Expenditure by public authorities on current goods and services ...	70.7	10.6	76	10.7	120.5	12.0
<i>Less</i>						
Imports of goods and services ...	255.6	38.2	302	42.4	461.5	46.0
<i>Plus</i>						
Exports of goods and services ...	254.8	38.1	287	40.3	445.6	44.4
NET TOTALS ...	668.8	100.0	712	100.0	1003.0	100.0

Note.—The deficit in the balance in international payments for 1970 on the basis of the import and export figures shown above is £15.9 million. The corresponding figures for 1960 and 1962 are £0.8 million and £15 million.

The adjustment for imports and exports is necessary because portion of domestic expenditure relates to imports, and portion of the GNP is sold abroad. The sale abroad, through exports, of a substantial portion of GNP is a condition of being able to meet most of the cost of the imports required to support investment and consumption needs and thus keep external deficits within manageable limits.

81. A 50% increase in GNP will make available additional resources in 1970 amounting to £334 million. The additional expenditure by Irish residents in that year will be greater than this amount since the external deficit in 1970 is expected to be £15

million greater than in 1960. The total increase in available resources will, therefore, be £349 million. About one-quarter of the additional resources must be used to raise the level of investment; the remainder would be available to increase private and public consumption of current goods and services. The apportionment considered desirable is shown in Table 4 :—

TABLE 4
USE OF INCREASED RESOURCES

Use	Increase in £m. at 1960 prices	Percentage of total increase	Average annual percentage rate of increase 1960-1970
Gross domestic capital formation (including changes in stocks) ...	84.1	24.1	6.5
Personal consumption of current goods and services ...	215.4	61.7	3.6
Expenditure by public authorities on current goods and services ...	49.8	14.2	5.5
TOTAL ...	349.3	100	4.3

The remainder of this Chapter deals in turn with each of these allocations of resources and with the export and import implications.

GROSS DOMESTIC CAPITAL FORMATION

82. Investment, both public and private, is covered by the term "Gross Domestic Capital Formation (including changes in stocks)". Since the 50% growth target will not be achieved unless investment is raised from the low rate of 14% of GNP in 1960 to at least 18% of GNP, the programme envisages that investment will increase at a faster annual rate (6.5%) than GNP until by 1970 it absorbs 18% of GNP (the corresponding 1962 figure was 16.7%). As Table 5 shows, this rate of investment will still be less than that already achieved by many European countries.

TABLE 5

INVESTMENT AS A PERCENTAGE OF GNP IN 1961 AT CURRENT MARKET PRICES

				%
Austria	...	...	...	24.8
Belgium	...	...	...	18.1*
Denmark	...	...	...	21.9
Finland	...	...	...	29.9*
France	...	...	...	18.8
Federal Germany	...	...	...	26.8
Ireland	...	...	...	14.6
Italy	...	...	...	24.5
Netherlands	...	...	...	27.2
Norway	...	...	...	30.9
Sweden	...	...	...	24.1
Switzerland	...	...	...	23.4†
United Kingdom	...	...	...	17.9

*1960. †1959.

Source.—Economic Statistics, 1963, OECD and UN Publications.

83. The requirement that investment increase faster than GNP involves as a corollary that consumption should not increase as fast as GNP in the period 1960 to 1970. Moreover, as between public and private consumption, it is desirable to make room for a higher rate of increase in the former according as national production rises; the total available for consumption being limited, the possibility of increasing one form of consumption, without disruption of the programme as a whole, depends on a corresponding contraction of the other. The resources required for increased investment must come for the most part from the increased current saving represented by forgoing part of the possible increase in consumption. A relatively small supplement to domestic resources may be drawn from abroad in the form of a higher external deficit. The programme contemplates resort to both these sources of additional investment but with the emphasis necessarily on higher current savings. This approach

is in line with the OECD view that "the goal of a balance on external accounts need not be interpreted too narrowly in terms of either an annual overall balance or a predetermined level of the trade balance so long as the underlying trend is clearly in the right direction."*

84. If the annual rise in total consumption is kept to the rates indicated in Table 4 (giving an average annual increase of 3.9%, as compared with 4.3% in expected resources), the increased investment required can be financed from domestic savings and depreciation funds and by incurring a deficit in external payments which in 1970 would amount to £16 million and for the intervening years should not on average exceed that figure. It is considered that a deficit of this order, provided it did not become permanent but represented the careful use of available external resources to generate a continuing increase in domestic productive capacity, need not have adverse repercussions. If, however, consumption were allowed to rise as fast as GNP, the resources needed to sustain the investment increase required by 1970 could be supplied only by an annual external deficit of about £50 million. Such a large continuing drain on external reserves or accumulation of external indebtedness could not be sustained. It must, therefore, be the community's concern to ensure that consumer spending will not increase at a rate which would absorb—at the expense of investment or a substantial and continuing increase in the external deficit—an undue share of national resources.

85. Within the limits just indicated and in the context of an upward trend in national investment and production, it will be appropriate to incur a deficit in external payments and to finance it either by reasonable recourse to external reserves or by external borrowing, in the form of direct foreign investment in Ireland or otherwise. It is intended that, on all aspects of the programme, particularly this

*Economic Survey of Ireland—OECD, March, 1963.

one, there should be close consultation with the international institutions of which Ireland is a member.*

86. Investment is given priority in the use of resources because of the contribution which capital expenditure on buildings, plant and equipment makes to increased production. Apart from social investment (whose contribution, though indirect, should not, however, be underestimated), physical capital formation adds to productivity by making each unit of labour more efficient. Efficiency or productivity can, however, also be increased by better organisation of the work force and improved working techniques. In this whole field the relationships are complex. Productivity rises as a result of the new techniques and inventions built into new capital equipment, as well as of more efficient use of existing capital. New techniques and inventions are themselves the result of research and development, which in turn are the product of skills of highly qualified people, and the supply of these depends on education. Good organisation and management are also dependent on adequate education and training. Investment may, therefore, be thought of as proceeding simultaneously at a number of different levels. In each year money must be spent on installing the capital equipment which incorporates the most modern technology *and* on the research and development from which result the new and more efficient equipment of next year or the year thereafter, *and* on the education of the technicians and scientists who will help to evolve the new techniques of the 1970's and 1980's and of the managers who will apply them. The investment in new equipment will yield relatively quick returns but the effects of investment in people, while slow to emerge, will be cumulative and will extend over decades. The education, training and research which lay the foundations for future growth are a continuing annual necessity and, apart from expenditure on buildings and equipment, are

*These institutions include the Organization for Economic Co-operation and Development, the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association.

counted as consumption rather than investment. They have, therefore, to be provided for under both headings.

87. The capital expenditure of the Government and other public authorities will be maintained at the level necessary to meet the requirements of economic and social progress. State investment will be consistent with the guiding principle enunciated in the first programme, namely, that priority must be given to investments yielding an adequate return to the community in competitive goods and services. The achievement of the growth target of the programme will, of course, enable additional resources to be devoted to the formation of necessary social capital such as houses, schools, hospitals and homes for the aged.

88. The Government's proposals for physical planning and development aim at making the best use of natural resources and existing capital infrastructure in the expansion of industry and the promotion of tourism. They aim also at ensuring that new expenditure in environmental and allied services will be invested to the best advantage from the standpoints of economy and efficiency. Physical planning will secure that city and town centres which are uneconomic, outmoded or congested will be redeveloped and renewed so as to become less wasteful and more convenient places in which to live, to work and to shop.

89. Public capital expenditure in the period from 1959/60 to 1963/64, inclusive, was estimated in the first programme at £220 million. This forecast has been substantially exceeded. Actual expenditure from 1959/60 to 1962/63, inclusive, and estimated expenditure for 1963/64, will amount to £296 million—an increase of about 35% over the White Paper figure. Most of this increase took place in agriculture (£25 million), transport (£22 million) and fuel and power (£15 million). In 1958/59 public capital expenditure

amounted to £37.9 million and (after adjustment for comparison with GNP) accounted for about 55% of total fixed capital formation. By 1962/63 it had increased to £65.1 million and, after adjustment, represented 48% of total fixed investment. This meant that, in accordance with the aim of the first programme to stimulate private investment, the private sector's share of the greatly increased total of fixed capital formation rose from 45% in 1958/59 to 52% in 1962/63. Table 6, which indicates the absolute and relative movements in the main constituents of public investment between 1958/59 and 1963/64, illustrates how expenditure on social purposes was enlarged in line with the increase in total expenditure.

TABLE 6

PUBLIC CAPITAL EXPENDITURE, 1958/59 (ACTUAL) AND 1963/64 (ESTIMATED)

				1958/59	1963/64	1958/59	1963/64
				£ million		As % of total	
Building and Construction ...	...	...	...	10.22	21.44	26.97	26.9
Ports, Harbours and Airports ...	...	...	...	0.91	2.99	2.40	3.75
Tourism ...	...	...	...	0.02	0.52	0.05	0.65
Agriculture ...	...	...	...	5.48	13.09	14.46	16.43
Agricultural Credit ...	...	...	...	0.65	1.60	1.71	2.01
Forestry ...	...	...	...	1.14	1.94	3.0	2.44
Fisheries ...	...	...	...	0.17	0.29	0.45	0.36
Fuel and Power ...	...	...	...	7.60	13.40	20.1	16.82
Telephones ...	...	...	...	1.45	4.50	3.83	5.65
Transport ...	...	...	...	6.27	6.32	16.55	7.92
Industry ...	...	...	...	0.54	8.37	1.43	10.51
Industrial Credit ...	...	...	...	2.81	3.47	7.42	4.36
Radio Éireann ...	...	...	...	—	0.25	—	0.31
Miscellaneous (including the National Development Fund) ...	...	...	...	0.63	1.48	1.66	1.86
TOTALS				37.89	79.66	100.00	100.00

TOTAL CONSUMPTION

90. Total consumption absorbed about 86% of GNP in 1960 and it is expected to absorb about 84% in 1970. The preponderant element in consumption is personal consumption of current goods and services which absorbed 75% of resources in 1960, and a relatively small change in this percentage can, therefore, exercise a decisive influence on the amount available for investment. By comparison, public consumption of current goods and services absorbs only a small proportion of GNP—10.6% in 1960 and 10.7% in 1962. It is necessary, for both economic and social reasons, that some increase in this percentage should be envisaged to enable collective wants in the sphere of education and human investment to get a greater share of resources according as resources increase. It follows that, as between public and private consumption, allowance must be made for a higher rate of increase in the former according as national production rises. Table 4, therefore, contemplates that although most of the additional resources becoming available will be absorbed by private consumption (which will rise more in this decade than ever before), private consumption expressed as a percentage of GNP will fall from 75% in 1960 to 72% in 1970. In this way, both increased investment and increased collective services will be provided for.

91. The counterpart of the reduced rate of increase in consumption is a higher rate of increase in savings. It is necessary that savings should increase from £59 million in 1960 to £105 million in 1970, i.e., by 78%, or 5.9% per annum over the decade. Expressed as a percentage of GNP the increase will be from 8.9% in 1960 to 10.5% in 1970. An increase of this order is well within our capacity, given an upward trend in real incomes and, as Table 7 shows, is by no means ambitious by international standards, even allowing for differences in per capita incomes.

TABLE 7

SAVINGS AS A PERCENTAGE OF GNP AT CURRENT MARKET PRICES (1960)

Austria	17.1
Belgium	10.6
Denmark	13.8
France	11.1
Federal Germany	19.6
Ireland	8.9
Italy	15.5
Netherlands	20.9
Norway	15.6
United Kingdom	10.5

Source.—Economic Statistics, 1963, UN Year book of National Accounts, 1961.

92. Savings fluctuated considerably in the 1950's but have increased in recent years. It is reasonable to expect that this upward trend will be maintained according as national income rises in real terms. If personal consumption rises at a slower rate than GNP, the restraint involved will be only temporary since the higher level of investment thus made possible will, after a time, produce a higher national product permitting a faster increase in consumption.

PUBLIC CONSUMPTION

93. An increase in GNP makes possible, and to some extent depends on, an increase, both absolutely and relatively, in public expenditure on collective services. It is assumed that this form of expenditure, which will absorb about 14% of the additional resources made available by the programme, will increase at an annual rate of 5.5% and that, in consequence, it will absorb 12% of total GNP by 1970 as compared with 10.6% in 1960. As will be seen from Table 8, the increased level of public expenditure contemplated in the programme is lower than that at present achieved by most other European countries but in these, of course, some forms of public consumption (e.g., defence) are higher.

TABLE 8

PUBLIC EXPENDITURE ON CURRENT GOODS AND SERVICES IN 1961 AS A PERCENTAGE OF GNP AT CURRENT MARKET PRICES

	Per Capita GNP US dollars	Public Consumption as % of GNP
Austria ...	883	12.9
Belgium ...	1,337*	11.9*
Denmark ...	1,420	13.5
Finland ...	1,011	13.3
France ...	1,372	14.6
Federal Germany	1,438	14.1
Ireland ...	707	10.7
Italy ...	714	14.5
Netherlands ...	1,061	13.9
Norway ...	1,336	14.4
Sweden ...	1,777	17.6
Switzerland ...	1,720	11.9†
United Kingdom	1,426	17.2

*1960. †1959.

Source.—Economic Statistics 1963, OECD and UN Publications.

The comparable projected Irish figures for 1970 are \$1,000 (approx.) and 12%.

94. Increased expenditure by public authorities will be directed not only towards achievement of the growth target of 50% but also towards the improvements in collective services which this increase in resources will make possible. Public expenditure will be guided by the policy that all should share in rising living standards and social progress. The increased resources will be utilised chiefly to expand educational and advisory services and other forms of human investment and to provide additional incentives required to ensure expansion and efficiency in production. In continuing the policy of supporting farmers' incomes, emphasis will be laid on measures aimed at increasing efficiency, encouraging new forms of

economic activity and strengthening the structure of agriculture so as to sustain as many viable family farms as possible.

95. Expenditure by public authorities on goods and services is slightly less than one-half of the total current expenditure by public authorities. The balance—subsidies, transfer payments and national debt interest—consists of payments which involve a redistribution rather than a draw upon the national output of goods and services (though the associated taxation may affect the volume of that output) and, therefore, are not taken into account in calculating GNP. The rates of transfer payments to the unemployed, the old, the widowed and the orphaned will be increased according as national production rises, so that all who have to avail of the social welfare services will benefit from increased national prosperity.

EXPORTS

96. It is estimated that, if the GNP is to be 50% greater in 1970 than in 1960, exports of goods and services must rise by 75% from £255 million in 1960 (£287 million in 1962) to £446 million in 1970. Visible exports are expected to contribute £282 million of the total in 1970 and invisibles the balance of £164 million. The target for visible exports represents an increase of 6.9% per annum, and that for invisible exports 4.1% per annum. The most buoyant element in invisible earnings is expected to be tourism.

97. The required rate of increase in visible exports is slightly less than that achieved between 1951 and 1961. The increase in the 1950's was, of course, from a low base and the maintenance of this rate of expansion will not be easy because there will be more intense competition in export markets. While a substantial contribution will be made by agriculture, industrial exports will form the major part of the required increase in visible exports; this will call for an increase of over 150% in industrial exports during the decade.

During the second programme increasing attention will, therefore, be given to the extension and improvement of export outlets. Effective taxation incentives to increased exports are available. More resources are being provided for Córas Tráchtála to enable it to extend its services to exporters. Encouragement will be given through Adaptation Councils and in other ways to groups of exporters who co-operate so as to lessen the costs, and increase the possibilities, of selling abroad. In the policies to promote industrial expansion, particular attention will be paid to firms with export potentialities.

98. According as tariffs are reduced, Irish firms will meet increasing competition in the home market, but it is expected that, encouraged by fiscal and financial incentives to improve their efficiency and competitiveness, and aided by a buoyant domestic economy, they will increase their export and total turnover.

99. The target set for exports underlines the force of the comment in a recent OECD report :

“In Ireland’s circumstances, maintaining a satisfactory rate of overall growth will call not only for a rapid expansion of industrial exports but an increase in exports of agricultural products. To achieve this it is clear that drastic efforts to increase productivity and improve marketing techniques will have to be supplemented by measures on the part of other countries to reduce the existing obstacles to an expansion of international trade.”*

IMPORTS

100. As expenditure on consumption and on investment rises, and as exports increase, imports will rise also. A part of the increase in private consumption will be spent directly on imported commodities and much of it will go on home-produced goods which have a high

*Economic Survey of Ireland—OECD, March, 1963.

import content. Many of the industrial products exported will incorporate imported materials and components. Almost all of the new plant and equipment required to adapt existing industries or needed by new firms will have to be imported. It is estimated that the total imports will rise from £256 million in 1960 (£302 million in 1962) to £462 million in 1970, with visible imports rising from £219 million to £392 million and invisible imports from £37 million to £70 million. The increases in invisible imports reflect the expected increases in tourist expenditure abroad and in payments by way of dividends and profits following rising foreign investment in Ireland.

101. These expectations about exports and imports lead to the estimated balance of payments deficits which have been commented upon in paragraphs 84 and 85 above.

NEED FOR CONSISTENCY

102. The increased resources made available by this programme will make possible a significant improvement in living standards. It is essential that additional resources, as they become available, should be used to consolidate the advances which have been made and to lay a firm basis for further progress. The measures taken to put the programme into effect must not only be co-ordinated but also be consistent with the programme's objectives; otherwise, the growth target will not be achieved, or if achieved, will entail tension and strain in the economy which will threaten further development. While the primary responsibility rests on the Government of creating the conditions conducive to the achievement of the programme, all sections of the community have an obligation to ensure that their policies, attitudes and actions are consistent with the national objectives. The community's outlook on such factors as productivity, incomes policy and savings will largely determine whether the 50% growth target is achieved.

PRODUCTIVITY

103. The need for consistency between the savings and investment targets of the programme has already been discussed. As indicated in Chapter 2, the desired rate of growth will not be achieved unless there is a marked and continuing rise in productivity. This means that attitudes to work, and the organisation of work must be consistent with the growth target. It calls, on management's side, for a critical and expert examination of the organisation of their firms, for a willingness to adopt the necessary changes, and for a full use of management techniques such as production and quality control and work study. It calls, on the workers' part, not alone for the avoidance of restrictive practices but also for an active co-operation with management in raising productivity. It calls from both management and labour for a progressive attitude towards industrial relations, based on the principles laid down by the Irish National Productivity Committee for the division of the fruits of increased productivity and on a recognition of the need for co-operation between the social partners if the desired growth rate is to be achieved. Funds have been provided to enable the Irish National Productivity Committee to expand its activities and further Government support for the work of the Committee and for other measures to raise productivity, on the lines indicated in Chapter 2, will, if required, be forthcoming.

RELATIONSHIP OF INCOMES TO OUTPUT

104. It is essential to establish a coherence both between the objectives of the programme and our attitudes to work and productivity, and between the national output of goods and services and the reward we seek for our work. Each member of the labour force—employer and employee alike—must put *into* the economy at least as much as he seeks to take out. It is well to recall the words of the first programme—

“No programme of economic development will be successful

unless the people have the will to work and are prepared to accept the living standards to which their efforts entitle them."

A programme for economic expansion requires of the community that it adopt an incomes policy which is consistent with the programme's objectives; "the ability of the authorities to pursue an ambitious expansionary policy untrammelled by the need to resort to stop-and-go policies can be seriously limited if money incomes are pushed up excessively."* The 50% growth target will not be achieved unless our costs are fully competitive with those of our competitors. Costs have little chance of becoming, or remaining, competitive if money incomes outstrip production. Money incomes will outstrip production, and economic growth, social welfare, and improvements in living standards will be threatened, if we fail to recognise that an increase in output is the only safe and lasting basis for an increase in incomes. Although hourly labour costs (including social security payments and other wage supplements) in Irish manufacturing industry are generally lower than in most other European countries, the factors mentioned in paragraph 52 depress output per head so that labour costs per unit of output compare unfavourably with those of our competitors. Because of the leeway we have to make up, the argument that a rise in money incomes must at least be matched by increases in productivity would still hold good even if inflationary wage increases were taking place in Europe.

105. It is essential that there should be widespread public acceptance of the need for a sound incomes policy, and full co-operation between the Government and sectional interests in carrying it out. Such a policy requires that the increase in *all* types of income—wages, salaries, profits and rents—should not exceed the realised increase in national production. If the objectives of the programme are realised and national output is raised by about 4% a year, incomes and social benefits can increase correspondingly in real terms. It is

*Economic Survey of Ireland—OECD, March, 1963.

important that at least part of the benefit of increased productivity should emerge in the form of lower prices or better quality, first, to ensure that more Irish products become competitive and exportable and, second, to ensure that the benefit will be shared by all sections of the community.

GOVERNMENT POLICIES

106. The programme will require economic policies which are compatible with and conducive to the achievement of the 50% growth rate. These will be further elaborated, so far as agriculture, industry, transport, and other major sectors are concerned, in a later publication. Here it may be appropriate to sum up the requirements of financial policy.

107. Financial policy will follow the principle laid down in the first programme and will, therefore, be guided by the need to encourage investment, production and saving. It will be the concern of the Government, as indicated in Chapter 1, to maintain adequate—while avoiding excessive—demand as a basis for maximum economic advance. If the level of national expenditure were too low, a part of our productive resources would be unused and both current output and the opportunity for faster economic growth would be sacrificed. If it were too high, there would be an impact on the balance of payments and on domestic costs which would cause a damaging setback to growth. With care and foresight—and with the understanding and co-operation of all the interests involved—it is hoped to ensure that, as far as possible, the nation's productive resources are efficiently and continuously used while reasonable stability is preserved both in the external balance and in the internal price level.

108. It will be a constant aim of Government policy to achieve the maximum efficiency in administration. As indicated earlier, the collective services provided by public authorities may be expected

to increase as national income rises. In particular, increased expenditure on education must be envisaged. An increase in public, relative to private, consumption—that is, in services provided for and financed by the community as a whole—will necessarily entail some increase in the proportion of taxation to national income. This is the way in which income is passed from private hands to public agencies to spend it for the benefit of the community. It is not expected that the increase in taxation, which will occur in the context of rising individual and social standards, will be considerable (the present 23% ratio of total taxation to GNP may have to rise by one or two percentage points), or that, given a mature sense of social interdependence, there will be any adverse effect on initiative and output. It is obviously in the national interest that our human resources should be fully developed; even on the purely economic plane the ultimate advantages will repay the burdens now assumed. These are the reasons for providing for a somewhat higher rate of increase in public than in private expenditure over the years to 1970. With the increase in national production, the social services generally will be improved. In its taxation policy the Government will be concerned to ensure that the broader interests of social equity and of economic development are observed, realising that material progress is the necessary foundation for improvements in social welfare. It is important that fiscal conditions should continue to favour the private enterprise and initiative on which Ireland's prospects of economic growth mainly depend.

109. In the sphere of capital expenditure, public authorities will observe the fundamental principle laid down in the first programme that priority must be given to capital outlay which is not merely necessary but also productive in the sense of yielding an adequate return to the community in competitive goods and services. The broad aim will be to ensure that in the long-run national income is raised sufficiently by public capital expenditure to enable the debt charges to be met without higher rates of taxation.

CHAPTER 4

CONCLUSION

110. In Chapter 1 the aims of the second programme have been outlined and the general approach to the achievement of these aims defined. Chapter 2 has shown to what extent the various sectors of the economy are counted upon to contribute to the overall growth rate. Chapter 3 has indicated how the real income gained may be divided as between investment for future growth, on the one hand, and consumption, on the other. At various points attention has been drawn to the need for consistency between the various elements of the programme but it is necessary, in conclusion, to say something more on this vital condition of success.

111. The framework of the second programme is determined by the growth rate. The rate chosen, as being both what we should aim for and what our best endeavours should realise, is a 50% increase in real national income in this decade—representing over a 4% average annual advance. If a higher rate proves to be attainable without excessive deficits in the balance of payments, it would, of course, be foolish to neglect to work for it. But if it is thought that a sufficiently bold target has not been chosen at the outset, the grounds for this view must be established by showing under what particular heading—agricultural or industrial production, tourism or other services—there are opportunities realisable within the next seven years, in the conditions, internal and external, likely to obtain, which have been overlooked or underestimated.

112. Similarly, when it comes to the broad division of the fruits of

the progress achieved, it is impossible to claim more for consumption without curtailing investment or for community services, such as education, unless there is a corresponding abstention from private consumption. Increased investment, bringing about the greater productivity of a larger workforce and thus enabling exports to be expanded in competitive conditions, is the principal condition of progress. If investment is reduced below the level envisaged because too much is being consumed and too little saved, production in the future will be affected and there will be less goods and services coming forward either for consumption or investment. A particular importance attaches to the presence or absence of a rational incomes policy, because it is primarily through wages, salaries and profits that the fruits of progress are distributed and the allocation of additional purchasing power in any of these forms without regard to the trend in national production can pull the framework of the programme apart. It is important also that there should be general acceptance of the tax or other changes needed to effect any agreed redistribution of incomes or increases in community benefits. In fact, if steady progress is to be made towards the target set, the relationships indicated in Chapter 3 between consumption (public and private), savings and investment need to be maintained. If the growth rate aimed at were not realised, the dependent aims would also have to be modified. Less would, for instance, be available for improvement of public services, or for increased private consumption, than has been postulated. It would, moreover, be indefensible to incur the projected deficits in external payments except in association with the projected upward trend in real national product and in expectation of a continued advance, in incomes and employment, beyond 1970 which would be less dependent on external resources.

113. If the framework set out in this publication is accepted, the detailed programming for agriculture, industry, tourism and the other services must conform to it. It is obvious that a programme would

not be worthy of the name if it were not intelligently fitted together in this way.

114. An economic programme is necessarily expressed in terms of employment and production, savings and investment, exports and imports. It must endeavour to relate changes under these heads to the main divisions of economic activity, namely, agriculture, industry and services. These are convenient terms for describing complicated economic processes and analysing their inter-relationship but the importance of these processes lies in their implications for the individual members of the community, not as statistical units but as human persons. In the last analysis, the success of the new programme will be measured by the contribution it makes to human welfare in the widest sense by affording increased opportunities to Irish men and women to develop their full potential as individuals and as members of the community. The Government in drawing up this programme are fully conscious of their responsibilities in this respect, but they can only assist, guide and persuade; they cannot guarantee that the desired degree of progress will be achieved. The targets set out are aims, not promises, and the realisation of these aims will depend on the degree to which all members of the community co-operate in their individual, as well as their representative, capacity. It is, however, a heartening characteristic of national economic planning that, the more people who plan on the assumption that the target will be realised, the more certain it is to be realised. Courage and consistency in planning are the first requirements; general acceptance and co-operation will then promote success.

115. This, therefore, is the appropriate point at which to obtain the views of the principal functional organisations, representing the trade unions, industry, agriculture and the other important sectors of economic activity. Having before them a clear exposition of the objectives of the second programme, of the main assumptions on

which it is based and of the necessary conditions for its fulfilment, these organisations will thus be in a position, at the formative stage, to consider the reasonableness and practicability of the programme and to advise on the best means of realising it. The Government hope, in this way, to secure the maximum degree of common acceptance of the aims of the programme and of common purpose to achieve them.

116. In the light of the views received, progress will be made with the further elaboration of the programme. The results of the first programme are being analysed as a guide to the most effective way of obtaining, in the conditions that may exist in the years 1964-70, the specific contribution required from the major sectors to the achievement of the new target. It is intended that this more detailed exposition of the proposed lines of progress in agriculture and other major sectors should be published early in 1964.

Houses of the Oireachtas

PAIPEIR ATÁ LE TIOLACADH ~~DON DAIL AGUS~~ DON tSEANAD
PAPERS TO BE PRESENTED TO THE ~~DAIL AND~~ SEANAD.

1. An Roinn atá ag déanamh an tiolachta ...

Department making presentation ...

Labour



2. Teideal an Pháipeir atá le tiolacadh ...

Title of Paper to be presented ...

Conditions of Employment (Gramophone
Record Industry) (Exclusion)
Regulations, 1978.

3. Más do réir Reachta atá an tiolacadh á dhéanamh,
luaitear Teideal agus Alt an Achta a údaráíonn
an tiolacadh ...

If presented pursuant to Statute, state authority
for presentation, giving Title and Section of
Act ...

Conditions of Employment Act, 1936
Section 10.

4. Más gá é a bheith ar taispeáint ar an mBord ar
feadh tréimhse áirithe, luaitear

If required to be on the Table for a specified
period, state:

(1) An tréimhse ...

Period ...

21 days.

(2) Cé acu tréimhse de laethe síosóin de
laethe suí í ...

Whether days of session or sitting days ...

Sitting days.

5. An gá tairiscint ag lorg aontuithe gach Tí? ...
If motion of approval by each House necessary?

No.

Cleireach an tSeanaid.

Sínithe
Signed

Ceann na Roinne.
Head of Department