

FFS/Irish Times draft article

By what measure would we consider an economy to be performing successfully?

Is it growth?

The Irish economy grew at some of the highest rates in the developed world for a number of years not so long ago, and was presented as a model for others. We now know that the growth was unsustainable, and more importantly we know that the social consequences of this outcome are highly undesirable.

Perhaps it is an ideological question? In the decades since the fall of the Berlin Wall, economies with a particular emphasis on “free market” policies appeared to be delivering the most desirable outcomes. This is less obvious in the aftermath of the financial crisis.

What is clear from this relatively simple and admittedly simplistic summary is that for the purposes of policy formulation, it is neither feasible nor desirable to separate an economy from the societal framework within which it operates – especially when defining appropriate measures of success. An economy is dependent on a sustainably successful society, just as a society requires a sustainably successful economy. This, if anything, is one of the defining lessons of the crisis.

So how does one determine what is a “sustainably successful society” – since this becomes the context for the formulation of economic policy, and the basis for assessment of its success or failure?

This is a very important question, and one which should be debated fully and transparently. The answer will almost certainly vary from country to country, influenced by the factors such as history, culture, religion, as well as relative economic (rather than societal) maturity.

Policy formulation in this context has become more complex. We live in a hyper-connected world. We have only begun to scratch the surface of how technology will continue to adapt and evolve, and therefore impact on our lives and communities. Technology is just one of the factors which has accelerated our interdependence in a global sense. The opening up of markets, and therefore of market opportunities in all corners of the world for virtually all businesses means that sustainable success for those businesses, and therefore for the societies within which they operate, reflects that interdependence. Our economic well being in Ireland will depend on how things are going in Europe, in the US, and increasingly in China, Brazil, India and Africa, to name but a few. The factors which influence the world on a global basis will influence virtually every society in that global community. Energy, climate change, resource scarcity, demographics, economic rebalancing. Policy-makers in every country have to reflect these major factors in the formulation of their policies, seeking to ensure that economic policy for a particular country will deliver societal outcomes which reflect global connectivity and interdependence.

In the last several decades, many governments, especially in the West, retreated from many sectors and spheres, feeling that the “private sector” was better placed to operate in these areas. Perhaps in many cases this was true. However, we now also know that governments cannot retreat completely – they cannot retreat from dealing with major issues when they arise, for example providing bailouts and dealing with the ensuing social and economic fallout. Quite simply this is because governments have to step in to support their citizenry when the economy fails to do so.

So does this mean that it is the turn of business to “retreat”? Categorically not. Business must “lean in” to work to deliver on the sustainable societal outcomes which governments must foster. The interdependence means there is full mutuality of interest. A good business needs a good economy needs a good society, just as a good society needs a good economy. There cannot just be mutuality of interest for this to be realised. There must also be mutuality of purpose.

There is a need to encourage research to support policy makers in their endeavours to respond to these challenges. Many of the historic assumptions which underpinned economic thinking need to be revisited in light of the crisis, and a more holistic view is required of the relationships between fiscal policy, economic policy, and sustainable and desirable societal outcomes. The purpose of the FFS prize is to encourage fresh thinking in these areas.

The inaugural prize has been awarded to Gerard Brady, an economist with IBEC, and it reflects the innovative nature of his paper. His paper is focused on employment activation, and the potential for policy-makers to improve the potential for job seekers to find employment based on social networks.

Policy-makers in Ireland and elsewhere are not short of challenges and we hope that the Miriam Hederman O'Brien prize will provide further contributions to support their efforts in the coming years.