

A Five-Part Crisis that Requires an Integrated National Response

In March 2009, the Council argued that there are five dimensions to Ireland's current crisis: a banking crisis, a fiscal crisis, an economic crisis of competitiveness and job losses, a social crisis of unemployment and income loss, and a reputational crisis. It argued that an integrated national response was required that addressed all five dimensions, since partial and sequential measures, even where necessary, would not be sufficient or effective. To find a way through the crisis, it is necessary to combine unavoidable retrenchment with major reform in a range of policy areas and systems.

Absence of an Integrated, Nationally-Supported, Way Forward

There has been a very significant policy response to the crisis. Yet, for a variety of reasons, there is little easing of the crisis in banking, the fiscal position, the economy and society. Despite important steps, an integrated, nationally-supported and widely-understood response has yet to be achieved. Indeed, reviewing developments since March 2009 confirms the Councils' fear that:

- ◆ a convincing approach to any one dimension of the crisis is, in part, dependent on a widely-understood approach to the overall national crisis: but equally,
- ◆ a widely-understood approach to the overall crisis requires a clear and purposeful approach to each of the five elements, taken one by one.

This creates a danger that the policy approach to the whole crisis could be compromised by the lack of conviction about action on each of the parts, while support for action on each of the parts could be withheld because confusion or disbelief remains about the effectiveness or fairness of the overall national response. This is the context in which, in the coming months, Irish society must make critical decisions.

In particular, it cannot be said that an integrated and evolving debate is occurring on the fiscal, social and economic aspects of the crisis. Government has achieved savings of €10.5 billion or 6.3 per cent of GDP and published the McCarthy Report. But there continues to be a huge gap in the public finances. Policy and public debate on the fiscal, economic and social aspects of the crisis still seem dominated by short-term, immediate and zero-sum aspects; it has not proven possible to secure

support for a perspective based on long-term mutual gains. Yet, Ireland's future depends on now addressing these difficulties with short-term measures that can be shown to have a long-term logic.

Towards a More Integrated Consideration of Fiscal, Economic and Social Policies

A more integrated approach can be achieved by combining ideas and action at three levels:

- ◆ A vision of the kind of society and economy that Ireland wishes to become in the decades ahead, and towards which responses to the crisis will help us move;
- ◆ Knowledge and ideas on aspects of economic and social development to ensure that crisis measures do not unwittingly damage economic recovery, innovation, future skills and capabilities, economic participation and social cohesion;
- ◆ Practical policy development, compromise and problem solving, based on the experience and capabilities of a wide range of organisations and people.

Working in this way, the Council suggests that the following criteria be applied:

- ◆ **Economic/cyclical:** The measures should, as far as possible, contribute to the revival of economic activity and employment;
- ◆ **Developmental:** The measures should, as far as possible, strengthen the foundations of Ireland's economic and social development;
- ◆ **Fairness:** It should be possible to explain how the chosen tax, expenditure and other policies are as fair as possible;
- ◆ **Sustainability:** The adjustment process must be sustained until Ireland comes through the crisis, must yield a sustainable public finance approach, and should, as far as possible, put Ireland on a path that is sustainable—economically, socially and environmentally.

These criteria can help to ensure that a response to the social and economic aspects of the crisis is embedded in fiscal policy in the coming months and years.

A Challenge for Government and Others

Finding an integrated and nationally-supported response cannot be a task for government alone. The inter-connected nature of the parts, inevitably means that the action and attitudes of many non-government organisations are critical in finding a way forward. The encompassing nature and severity of the crisis means that no economic or social organisation or interest can avoid its consequence or absent itself from the search for solutions. The clearest and most purposeful government policies still require significant engagement of individuals, firms and non-government organisations to achieve their most beneficial effects. This short report is addressed, therefore, not only to Government, but to the full range of economic, social and policy actors—all of whom have a role in finding and implementing a path through this national crisis.