

# FINE GAEL POLICY

1965

*Towards a Just Society*

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## INTRODUCTION

1. There is an obligation on every political party who seeks office to tell the people how it will use the power entrusted to it. In this publication we are not only stating our policy but we are also giving the reasons why Fine Gael seeks the responsibilities of government, the objectives towards which our policies are directed and the type of society they are intended to shape. In publishing in detail our policies we recognise that for most people economics is an unexciting subject. If, however, the objectives of economic policy are known as well as the social conditions of our people we believe that enthusiasm can be stirred and direction and purpose given to the idealism of our people. Political activity would be seen for what it should be - a means for serving the common good.

2. Fine Gael is in a unique position to know and appreciate the real needs of our people, being a truly national party. This knowledge permits us to point to the very wide areas in our society where great poverty exists, poverty which is degrading and capable of remedy, to appalling social conditions. We are not living in a just society. This fact must be understood and complacency must be dispelled and enthusiasm created to remedy the social injustices in our midst.

3. Fundamentally we are concerned with making a reality of two concepts, freedom and equality. The economic conditions in which many people live would require an heroic effort of virtue (which society should not demand of them) to enable them to develop their full human personality. Again, equality of opportunity is, in contemporary Ireland, non-existent. We seek office to work towards a society in which freedom and equality are not concepts from an academic textbook but are expressed in real and tangible conditions which all our people can enjoy.

4. We propose a bold and vigorous programme of economic and social reform. The needs of our people are many; the urgency for reform is great; the work should not be further delayed. Those who oppose reform usually do so from ignorance, or because they have a vested interest in the status quo.

5. It is political chicanery to talk about improving the living conditions when the measures necessary to bring them about are not taken. The reforms we propose will not occur spontaneously and we accept the necessity for more effective government action in industry, agriculture, education, health and all our social services. To condemn action by the State as 'intervention' without examining its purpose or the means to be adopted is often an emotional reaction rather than an intelligent one. Government action on the lines we suggest, far from curtailing personal freedom, will help to extend it and make it meaningful for all our people. In the past, too little attention has been given to the

necessity for efficient public administration. We accept the urgent need for administrative reforms and the very great importance of ensuring that the machinery of government is designed to serve the public efficiently and fairly.

6. The social and economic thought of the Fine Gael Party has been informed and moulded by the social doctrines contained in the Papal Encyclicals. Most people in public life will state their acceptance of the teachings contained in the Papal Encyclicals. But two dangers exist. Firstly, such acceptance may amount merely to lip service and, secondly, these principles may be used as an excuse for inaction. We accept the principle of subsidiary function and in our plans for reform we will be guided at all times by this principle. It is our responsibility as laymen in politics to learn and appreciate these principles; to review the situation as it exists in Ireland; to form a judgment on that situation and in the light of these principles to decide how they should be implemented in this country at the present time. We believe we have done this in this publication.

7. Every society is in constant course of change. A political party fails in its responsibilities if it ignores this fact and fails to meet the challenge of changing times. We have attempted to do so. We are aware of the limitations of political power in a democracy — limitations which we accept and welcome. But Ireland is a small largely homogenous country. A profitable dialogue between the people and the government should be possible if our institutions are properly reformed. The fact that Ireland is a mixed economy need not involve any conflict between the public and private sectors, for both can stimulate and aid the other. Given proper planning of our economic affairs we can maximise the benefits of favourable, and minimise the effects of unfavourable, economic factors abroad which are outside our control.

## ECONOMIC PLANNING (Summary)

### 1. AN ANALYSIS OF THE FIRST PROGRAMME :

The first Economic Programme published by the Government in November 1958 was a 50-page document containing general statements of government policy and giving an indication of the aids to production which the government proposed. In essence, the first Programme was merely a statement of economic policy, plus a very tentative forecast of the government's capital programme over the coming five years. No analysis of sectoral output was made, no estimate of the different contributions of each sector of the economy to economic growth was given, no targets were fixed and the approximate forecasts of the government capital expenditure were stated to be only an indication of the orders of magnitude involved. The fundamental point of policy in the document was the view that social capital investment of the past years had given an infra-structure of housing, hospitals, communications, etc. 'which is equal (in some respects perhaps

superior) to that of comparable countries'. It was stated that social needs would soon be overcome in most of the country and that productive capital expenditure must secure a greater priority than at present. It was 'on this fundamental principle that the present programme of economic development is based'.

## **2. THE FORECASTS OF THE FIRST PROGRAMME :**

The forecasts contained in the document proved to be highly inaccurate and the experience of the First Programme indicated how uncertain and inaccurate the estimates of public expenditure in fact turned out to be and underline the necessity for proper administrative machinery so that it should be possible for the government to prepare targets with some degree of certainty of expenditure in the public sector by public authorities.

## **3. AN ANALYSIS OF THE SECOND PROGRAMME :**

The first part of the Second Programme for Economic Expansion was published in August 1963 and the second part in July 1964. It is stated that these two parts were complementary and that they should be read as a whole. The government deliberately avoided using the words 'economic planning' in these publications and consistently made use of the term 'economic programming' to describe its policy. A programme, it is stated, outlines objectives and priorities but 'it does not in every instance specify how they are to be attained.' 'Programming' involved making estimates of the increases attainable in total production on certain assumptions. The Second Programme is, in essence, a statement of policy and an estimate of future capital expenditure, plus economic forecasts. The economic forecasting undertaken in this document amounts to a very rough estimate of what may happen in the economy over a period of 7 years given a number of assumptions. The principal assumption that the government made was that there would be an annual 4% growth rate. These forecasts were termed 'targets'. Although warning is given that these 'targets' are indications of the progress that the economy can make and are 'aims not promises' it is misleading to use the word 'targets'. The figures given in the Programme are aspirations rather than commitments. A target should be a figure which it is proposed to achieve as a result of action which is contemplated, not a statement of what may result if certain assumptions are realised. As an economist recently writing on the Second Programme said: "This is not a programme which seeks to develop the economy along certain predetermined lines; essentially it is a forecast of how it is likely to evolve in response to the application of internal and external market forces.'

## **4. ECONOMIC PLANNING :**

Economic planning, on the other hand, involves the conscious management, to the extent consistent with political freedom and individual liberty, of the course in which the national economy should 'be directed. Management of the economy becomes necessary because the

spontaneous movement of economic forces will not give the required rate of growth or distribute fairly national wealth and a mere forecasting of future economic possibilities and future market trends is not sufficient. Society must be organised for the purpose of achieving desired ends. This will not involve any deprivation of economic or political liberty; planning can and should be undertaken in a spirit of co-operation. It can be a means of guiding groups to plan for themselves.

## **5. NEED FOR ECONOMIC PLANNING :**

There is need for full scale economic planning in this country :

- (a) This country has with Italy the fourth lowest income per head of its population of all the OECD countries; its income per head is about one half of that of Belgium, Denmark and Norway;
- (b) emigration is running at a rate of over 20,000 per annum and notwithstanding an increase in industrial employment the total labour force in the country did not increase;
- (c) Ireland's per capita expenditure on social security benefits is the lowest of all the EEC countries and the United Kingdom, being a quarter less than Italy's which has the same income per capita as this country;
- (d) We have been fortunate in recent years in that the economic climate for our exports has been favourable. This may not continue in the future. The open nature of the Irish economy is an argument for, rather than an argument against, economic planning. Foreign conditions may continue favourable in the years ahead — in which case this country will benefit. Economic planning will help to maximise these benefits. On the other hand, the foreign climate may change, but planning will help to reduce the adverse effects of a drop in foreign demand;
- (e) again, planning would ensure not only that the level of social capital investment would be maintained, but that resources would be properly distributed and economic planning would have avoided the drastic drop in social capital investment which has occurred under the government's economic programmes.

### **PROPOSALS FOR ECONOMIC PLANNING**

Economic Planning in this country should be based on the following principles: —

1. Economic planning must be 'democratic'. That is to say, decisions must be taken only after detailed discussions with all interests concerned. The Bail and Senate must be regularly informed and consulted, and there must be regular supervision by means of a Committee of the Dail and Senate of the Government's investment programme, including that of State Sponsored Bodies.

2. A considerable expansion in the number of trained Economists, Scientists, Engineers and Technologists will be required in order to get proper planning under way.

3. A proper Planning Board should be established. This will mean the broadening of the National Industrial Economic Council to include representatives of all sectors of the economy, including agriculture, so that it may be equipped to carry out its functions of advising the government on general economic policy.

4. Vertical Committees of the Planning Board should be established to deal with sectors such as industry, agriculture, services, social planning, education etc. The task of such Vertical Committees would be a double one — to review the resources and needs and the future development of the particular sector with which they are concerned, and to set targets for future growth; and secondly to review the implementation of these targets. The Vertical Committees should co-operate and keep in close touch with Working Groups in particular subsectors e.g. the Adaptation Councils in industry.

5. A new Department of Economic Affairs, incorporating the planning functions at present scattered around the Civil Service, should be established, to be responsible for economic planning. It should concern itself with demographic forecasting, with man power policy and regional planning. It should work closely with the Planning Board and the Vertical Committees.

6. Meaningful targets for agriculture and industry and each branch of industry must be established. As has already been pointed out projections of the economy 'based on an assumed growth rate (for example a 4% growth rate) are a useful frame work in which economic planning can be undertaken. But the longer the period of these projections the greater is the margin of error. Targets must not, therefore, be merely aspirations of what it is hoped may take place; they must be figures which it is proposed to achieve as a result of action that is contemplated. Such targets can only be arrived at after very detailed discussion with each branch of industry and representatives of agricultural producers.

7. The government must undertake to ensure that the targets set are realised. To do this it must be prepared to give assistance in the form of grants, tax reliefs, which may be necessary. The danger that the required growth targets may be used to obtain unjustified State assistance must be faced, and the government must be prepared itself to undertake directly the necessary economic activity, if required in the national interest.

8. The ultimate choice of the ends to be pursued in the economic plan and its social objectives must be determined by the government. Similarly the government must be responsible for ensuring that the plan is effectively operated in both the public and private sector. The task of co-ordinating the investment programmes of the Departments of government, the Local Authorities and the State Bodies, and seeing that they are implemented, of supervising the work

of the Vertical Committees and the Planning Board, and of ensuring that the plan is implemented, should be undertaken by the Minister for Economic Affairs.

9. Very considerable, regional differences exist throughout Ireland. In spite of the Under-developed Areas Acts and the creation of Roinn na Gaeltachta, in 1960, incomes per head in Munster, Connaught and Ulster were 10%, 23% and 27% respectively below those of Leinster. The creation of Regional Planning Boards to assist the development of the under-developed areas would materially assist in overcoming these discrepancies. Such Boards would be representative of Local Authorities, local trade and commercial associations, Trade Unions and development associations.

#### PRICES AND INCOMES (Summary)

1. It is generally accepted that price stability should be one of the principal objects of government economic policy. Rising prices can produce undesirable inflationary conditions; in an open economy they can bring about Balance of Payments difficulties; increased prices result in increases in the cost of government expenditure which are frequently not matched by Revenue buoyancy, resulting in budgetary difficulties. Apart from these economic grounds, there are very strong social reasons for avoiding price increases. Living costs can easily outpace social welfare payments and many groups in society never catch up on increased prices.

2. One of the major failures of the present government has been its inability to control the level of prices. On social and economic grounds a policy on prices and incomes is urgently necessary.

3. Economic theory isolates four causes for rising prices : excess demand, excessive negotiated wage increases, special price increases and profits. In examining the Irish experience in relation to prices over the past few years it is necessary to warn against the dangers of oversimplification in diagnosing the causes. Expert opinion can point to different factors operating at different times. At times price increases were mainly due to special factors, for example the cut in food subsidies or the imposition of the Turnover Tax. At other times import prices have adversely affected domestic prices; and at other times wages and profits have been contributory factors.

4. The only attempt which the government has made to influence the level of prices has been an attempt to influence the level of wages. This attempt failed. Consideration should have been given to the desirability of influencing all kinds of income. Modern discussion has centred on the need for influence on the level of profits and other non-wage incomes as well as wage incomes. Policies in this connection are generally known as 'Incomes Policies' and have been

advocated for Ireland by Fine Gael for a considerable time.

5. An essential prerequisite for the formulation of an Incomes Policy must be an accurate estimate of future economic trends. The government must establish machinery providing for consultation between Trade Unions, Employers groups and the government itself so that the government's views can be considered and so that the norms for increases in wages and non-wage incomes can be agreed. The government should not act merely in the role of mediator. It must play a positive part in helping to bring about an orderly and sustained growth in wages and salaries.

6. As the largest employer in the State the Government should not merely await the development of patterns of salaries and wages in other employments but should make its contribution to the development of these patterns by dealing expeditiously with the claims of its own employees.

7. A Wages Policy must be supplemented and complemented by a policy for non-wage incomes. This means that an active Prices Policy must be worked out.

8. We do not accept the Fianna Fail government attitude of allowing a 'free for all' in the matter of prices. Neither do we believe that prices can be rigidly controlled by legislation or government action. We believe that a third course is possible, This can be achieved in the following way:

Guide posts for price behaviour can be established. Having determined the proper behaviour of prices it would be necessary for those seeking to increase prices to notify the Government and, if required, to justify the increases sought by reference to the Guide Posts which had been previously established. A system of prior notification of price increases such as we suggest has been operated in Norway and Holland successfully.

9. The Government's approach has, as we have indicated, been an approach dealing with wage incomes alone, and it has shown no intention of dealing with non-wage incomes or rising prices. In implementing an Incomes Policy and in considering profits and dividends the Government must take into account the need for growth and expansion of production, employment, efficiency, modernisation and the need for exports. If, however after considering all these matters it is found that excessive profits have been made the fiscal powers of government must be used to ensure that such excessive profits are brought into relationship with the general growth of wages and salaries. With this in view we propose, as indicated in the Section dealing with Taxation, to examine the feasibility of introducing a Dividend Equalisation Tax.

10. In areas where free competition does not exist the Government must ensure that unfair advantage is not taken of this situation. When prices can be fixed by arrangement between manufacturers or suppliers and wholesalers or retailers the Fair Trade Commission should have power

to investigate such prices and ascertain whether the levels fixed are fair and reasonable. If they are not, the prices fixed should be prohibited.

## BANKING AND MONETARY POLICY {Summary}

### **1. CO-ORDINATION OF ECONOMIC AND MONETARY POLICY :**

We believe that it is vitally necessary to bring about an effective co-ordination between economic and monetary policy; that alterations in the present framework of our Banking system are necessary; that if the policies which we suggest are not adopted economic growth may be impeded; that if they are, economic growth will be facilitated.

### **2. THE PRESENT LINK BETWEEN THE BALANCE OF PAYMENTS AND CREDIT POLICY :**

Under our present system the Commercial Banks require to maintain foreign reserves (i.e. sterling) for two purposes: firstly, to obtain Irish notes from the Central Bank, and secondly, for making external payments on their customers' behalf. Prior to 1955 these foreign reserves were so large in relation to the deposits in Ireland that there was no necessity to have a fixed ratio between external reserves and deposits, and the size of the reserves did not in any way determine the internal credit policies of the commercial banks. In the official Government publication, Economic Development, however, it was stated that experience and expert opinion confirmed that in relation to deposits within Ireland a net external assets ratio of 30% represents no more than a minimum safe level for the commercial Banks as a whole, and it was pointed out that if the ratio fell below 30% a tightening of Bank credit must be expected and accepted as a corrective to the Balance of Payments.

The Central Bank pointed out the implications of this policy and stated that the connection between movements of the banks' holdings of external assets and the amount of credit they can expand was direct and inevitable. Since then the 30% ratio has been abandoned and nothing has been put in its place.

### **3. THE NEED FOR A RATIONAL DETERMINATION OF CREDIT POLICY:**

We believe it is desirable to insulate the Credit Policy of the commercial banks against fluctuations in the Balance of Payments, as has been done in other countries. We accept, of course, that a Balance of Payments deficit resulting in a loss of foreign reserves may be a reason for contracting domestic credit—but it should not automatically take place. It is possible to conceive circumstances where it would be proper to accept a temporary-loss of foreign reserves because of the prospect of future economic expansion, rather than endanger that expansion by restricting domestic credit. Neither the Government nor the Central Bank have any control over domestic credit policy at the present time.

This situation must be altered. The Government has a duty to provide a suitable framework by means of which the level of credit can be rationally determined by the responsible monetary authorities, not by the exigencies of the Balance of Payments.

#### **4. METHODS OF CONTROL :**

Methods of control of Credit Policy by Central Banks in other countries take different forms. Certain of these techniques, for example, what is known as open market operations and the alteration of Bank Rate, are inapplicable in the circumstances of the Irish economy. Informal discussions and consultation are, of course, most important but they are obviously not enough if the institutional framework in which the Banks operate make it difficult for them to have regard both to the public interest and the interest of depositors and shareholders and it is anomalous that the Central Bank should have power to influence an expansion of domestic credit (a power which it has under the Central Bank Act 1942) but has no express statutory power to influence a contraction of credit, if it deemed it desirable.

5.

In some countries the Central Bank is empowered by law to fix minimum reserve requirements. The Irish Central Bank has no such power, and we propose to amend the Central Bank Act to give it this power. The system will be operated within the present banking conventions of this country and the Central Bank would, subject to the agreement of the Minister for Finance, be empowered to fix minimum reserve requirements. The ratio to be determined could be chosen after consultation between the government and the commercial banks. If the net external assets ratio was agreed to be the most appropriate one then the Central Bank could fix the ratio at the figure that was thought desirable. If the net external assets of the banks declined the authorities could induce a contraction of credit at home by maintaining the ratio. Alternatively, if the authorities decided against a policy of credit restriction, the ratio could be reduced.

#### **6. FOREIGN RESERVES OF BANKING SYSTEM :**

One of the unusual features of our banking system is the fact that the foreign receipts of our commercial banks are retained by them instead of being passed to the Central Bank. In other countries the Central Bank maintains the foreign reserves of the banking system and grants to the commercial banks deposits in exchange for the foreign reserves it obtains. Under this system it is the Central Bank and not the commercial banks which has to decide, in the event of a depletion of its external reserves, when credit should be restricted. We believe that it is desirable to adopt this system in Ireland so that eventually the country's external reserves will be centred in the Central Bank. In order to achieve this we propose to operate Section 51(2) of the Central Bank Act 1942

which provides for the making of regulations requiring the commercial banks to lodge with the Central Bank for clearance all cheques, bills and other negotiable instruments payable outside the State.

## **7. ASSETS OF LEGAL TENDER NOTE FUND :**

We believe that consideration should be given at the appropriate time to increasing the foreign securities (other than sterling) as a Legal Tender Note fund so that other suitable currencies could be added and the assets structure of the Legal Tender Note Fund can be diversified.

8.

New financial institutions are developing in this country some of which advertise extensively. Their development will be carefully watched and if legislative measures to safeguard the public are necessary (such as exist at present in relation to commercial banking) they will be introduced.

## **TAXATION POLICY (Summary)**

### **1. NEED FOR REFORM :**

Our present taxation has grown up piecemeal over a long period of years and is in many respects irrational. It is desirable that the system be reviewed with a view to minimising disincentive effects and making it more equitable. Among the principal inequities are the imposition of rates on agricultural land, especially in the case of the small farmers; the effect of exemption from taxation on speculative profits; and the effect of exclusion of non income tax payers from certain benefits open to those paying income tax. Among the principal features which may have a disincentive effect on enterprise are the inadequacy of depreciation provisions, the sur tax system whose marginal rates bear more heavily on earned income in the upper managerial executive and professional group.

2.

The weaknesses of our tax system are remediable without significant nett loss of revenue through the reform of the tax structure.

3. Fine Gael recognises that the social reforms it is proposing at this time, as well as future improvements in the social security system which are urgently required, will involve some increase in the level of taxation. Fianna Fail admit that any improvements in Social Welfare and health services will involve an increase in taxation. Where Fine Gael differs from Fianna Fail is that:

i. Fine Gael has prepared concrete proposals for social reform after detailed study of many of the outstanding problems in this field; e.g. a comprehensive health scheme based on insurance; new domiciliary welfare services, etc. By contrast, Fianna Fail has neither examined the problems, prepared policies nor even directed the civil servants under its control to do so.

ii. Fine Gael does not accept the general allocation of increased resources as between social security payments, subsidies and general government expenditure, proposed in the Second Programme. Fine Gael believes that from the revenue which will be available in the coming years a far greater measure of social justice can be achieved than has been proposed by Fianna Fail.

iii. Fine Gael believes that future increases in taxation should be directed towards real social improvements in contrast to the Fianna Fail policy of raising the level of indirect taxation—by £20 mn. in the current financial year—thus hitting indiscriminately even the poorest sections of our people, while effecting only minimal increases in the level of social welfare payments and making no effort whatever to reform the antiquated social security system.

#### **4. RATES EXEMPTION :**

We propose to exempt completely from rates all farmers whose lands and agricultural buildings have a total value of £25 or less. Another important feature of our agricultural policy is the proposal that future increases in milk prices will be directed primarily towards the small producer.

#### **5. PROBATE FEES :**

It is proposed that Probate fees on estates not liable for estate duty should be abolished.

#### **6. PROFITS OF SPECULATION :**

At the present time profits of speculation are exempt from taxation, the burden of which falls exclusively on income earned from work or from the investment of wealth. This discrimination in favour of speculation is clearly anti-social and is unacceptable in many Countries, including the United States where such profits are subject to taxation. Fine Gael in government will undertake a "careful" study with a view to devising methods of ensuring that profits of speculation no longer completely escape the tax net.

#### **7. EARNED INCOME :**

The present tax system bears exceptionally heavy on certain levels of earned income which are more heavily taxed here than in Great Britain. Because this tends to discourage the return from abroad of Irish nationals with managerial experience we propose a reform of the Sur Tax Code to moderate the incidence of taxation on earned incomes at these levels. This should encourage the inflow of much needed managerial and technological skills. The cost to the Exchequer will be small.

#### **8. DEPRECIATION :**

The present provisions for the charging of depreciation for tax purposes is inequitable. It encourages firms to provide depreciation on an historical cost basis and offers a positive disincentive to the making of adequate provision by firms for the replacement of fixed assets. Firms should be permitted to add each year to the sum calculated on an historical cost basis a percentage to be determined by the increase in replacement cost. At the same time the period over which the assets can be depreciated should be gradually shortened in accordance with recommendation No. 142 of the Income Tax Commission's Report. These steps should encourage a very rapid modernisation of equipment.

#### **9. EXTENSION OF ALLOWANCES :**

Under our Tax Law those liable for Income Tax benefit from various allowances, for example dependant child allowances. It would be desirable that as far as possible such benefits should be extended to those who are not well enough off to pay income tax, or are paying only small amounts in tax.

#### **10. ELDERLY PEOPLE :**

Existing tax allowance for elderly people who are retired or living on incomes from savings or from pensions are inadequate. Fine Gael pledges itself to effect substantial improvements in these tax allowances for people over 65 years of age.

#### **11. TAX RELIEF FOR SCHEMES OF CO-PARTNERSHIPS :**

Fine Gael believes that some incentive should be given to firms to encourage them to offer shares to their employees on favourable terms. Proposals to introduce provisions into the Tax Code will be designed to encourage such moves by Irish firms.

#### **12. INCOMES POLICY :**

Progress towards an Incomes Policy will require measures of restraint covering non-wage income as well as wages and salaries. We are prepared to consider a proposal which has been advocated by die 'Economist' 28/9/1963 which was termed a Dividend Equalisation Tax. This tax would be designed to keep the growth of the average unearned Income after tax in line with the growth of wages and salaries and thus would ensure that the application of an Incomes policy to wages and salaries would not give rise to inequity as between wage and salary earners and those living wholly or partly on unearned income. Because such a tax would fall on personal incomes and not on company profits it would have no adverse economic effects such as flow from measures to control profits or the amount of profits distributed in dividends. Should it transpire that such a tax would offer an

appropriate solution to -the problem of devising an acceptable Incomes Policy Fine Gael will be prepared to consider the feasibility of incorporating it into our taxation system.

### **13. EXPENSES ACCOUNTS :**

The present Expense Allowance system is a subject of abuse. Steps will be taken to tighten up the practice of 'Expense account' entertaining by requiring firms to justify specifically all expenditure on entertaining. This would be clearly distinguished from expenditure incurred by members of the staff of a firm on their own account when travelling or away from their base.

### **14. TAX EVASION :**

The recommendations of the Income Tax Commission on tax evasion will be fully implemented.

#### **SOCIAL CAPITAL INVESTMENT (Summary)**

1. The fundamental principle on which the government's First Programme of Economic Expansion was based can be summarised in the following three propositions; —

- (a) The government anticipated that a decline in social capital investment would occur 'mainly because social needs, such as houses and hospitals, will soon be over taken in most of the country'.
- (b) It decided that this decline would not be reversed.
- (c) It proposed that there would be a switch of resources to 'productive' purposes.

2. The proposed reduction in social capital investment in fact took place. The number of houses, for example, built by Local Authorities declined from a figure of 4,784 in 1957 to 1,828 in 1963. There has been a sharp decline in the share of government capital expenditure directed to the social services.

3. We make the following criticisms of government policy in relation to capital investment:

- (a) The underlying assumption of the government that there would be a decline in capital programme of the public authorities 'mainly because social needs, such as houses and hospitals, will soon be overtaken in most of the country' was grossly fallacious and the government ignored the great social needs which existed throughout the country.
- (b) For too long the percentage of gross fixed investment to gross national product has been too low in this country and this percentage is still below the European average. A considerable portion of what is termed 'capital expenditure' does not involve the creation of fixed tangible assets.

(c) The use-of the words 'social investment' as meaning 'unproductive investment', 'economic investment' as implying 'productive investment' demonstrates a serious over-simplification of the problem of investment. Expenditure on housing and education and health services regarded by the government as social expenditure can greatly assist economic growth, and it is wrong to reduce such expenditure merely because it does not directly show a 'return in competitive goods and services',

4. Fine Gael is opposed to the fundamental principle underlying the government's policy. This policy which was clearly set out in the First Programme is repeated in the Second, where it is stated 'In the sphere of public expenditure, public authorities will observe the fundamental principles laid out 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'. We do not dispute the necessity for increasing productive investment. We do not believe, however, that expenditure on housing and other necessary social capital expenditure should be curtailed. Such expenditure should be increased.

5. We intend to use the planning machinery which we propose to set up as an instrument to ensure that adequate sums are available for housing, hospitals, schools and other social capital investment. We propose greatly to expand the expenditure on social capital amenities, such as library services, swimming pools, children's playgrounds and community centres.

6. The first Inter-Party government introduced the Dual Budget System, and the distinction between 'capital' and 'current' expenditure in the national accounts has been of considerable assistance in promoting growth over the past years. The most important consideration in the financing of government expenditure is the state of the economy, and the amount of expenditure to be financed by borrowing must be influenced by the existence of inflationary or deflationary forces in the economy.

7 Decisions concerning a social capital investment are largely haphazard, and the need for a co-ordinated and planned programme of social investment is apparent. We propose to establish as part of the machinery of planning, a Social Commission representative of the government, local authorities, voluntary charitable organisations, educational and health authorities whose functions will be to assess the social investment needs for the whole country, and to draw up and integrate plans to meet them. These plans would be integrated in the over-all economic plan.

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## HEADS OF FINE GAEL POLICY 1965

### 1. FINANCE AND TAXATION :

Fine Gael believes that it is wrong to tax the necessities of life.

Such monies as are necessary to carry on government (after eliminating wasteful expenditure) and to pay Social Welfare Benefits in full, will be obtained without putting taxes on essential food, fuel and clothing.

Fine Gael will provide that the pensions of State pensioners ' will be increased so as to take into account the increases obtained in their former employments since they retired.

Fine Gael will exempt completely from Rates all farmers who have a total P.L.V. of £25 or less.

Fine Gael will abolish Probate fees on estates not liable to Estate Duty.

Fine Gael will undertake a careful study with a view to devising methods of ensuring that profits from speculation no longer escape the tax net.

Fine Gael will encourage the return from abroad of Irish nationals with managerial experience by moderating the incidence of taxation on earned incomes at certain levels. Fine Gael will alter the present system of charging depreciation for tax purposes, so that adequate provision can be made for the replacement of fixed assets and thereby assist increased production.

The Tax Allowances for elderly people who are retired will be improved.

Fine Gael will consider the feasibility, after consultation with Trade Union and Employers' Groups of incorporating a Dividend Equalisation Tax as part of an agreed incomes policy so that the average growth on unearned income after tax will be in line with the growth of wages and salaries. The abuses in the present expense allowance system will be stopped.

The recommendations of the Income Tax Commission on tax evasion will be implemented.

### 2. ECONOMIC PLANNING :

#### **Fine Gael proposes :**

- (a) To establish a new Department of Economic Affairs.
- (b) To expand considerably the number of trained Economists, Scientists, Engineers and Technologists for the purpose of assisting adequate economic planning.

- (c) To establish a proper Planning Board. This will mean broadening the National Industrial and Economic Council to include representatives of all sections of the economy.
- (d) To establish Vertical Committees of the Planning Board to deal with special sectors of the economy.
- (e) To establish meaningful targets for agriculture and industry.
- (f) To ensure that the targets are realised, and to make available the grants and tax reliefs which may be necessary.
- (g) To ensure the proper co-ordination between the public and private sectors of the economy.
- (h) To establish regional Planning Boards to assist the development of under-developed areas.

### **3. BANKING AND MONETARY POLICY :**

Fine Gael propose to bring about an effective co-ordination of economic and monetary policy within the present framework of our Banking system so that the Central Bank will have control over the credit policies of the commercial banks, as it has in other countries.

### **4. PRICES AND INCOMES POLICY :**

- (1) Fine Gael propose to introduce a proper incomes policy so as to ensure a continual and orderly growth in all incomes within the economy.

This will involve:

- (a) 'An accurate forecasting of economic trends.
- (b) The establishment of proper machinery for consultation between Trade Union and Employers' Groups so that the norms for increases in wages and non-wage incomes can be agreed.
- (c) That a Wages Policy will be supplemented and complemented by a policy for non-wage incomes.
- (d) The establishment of Guide Posts to indicate the way prices are likely to behave, and the introduction of a system of prior notification of proposed price increases.
- (e) The investigation by the Fair Trade Commission of prices in areas where prices can be fixed by arrangements between wholesalers and retailers.

### **5. INDUSTRY AND TRADE :**

In the event of Ireland joining the Common Market, Fine Gael undertakes to safeguard and protect the interests of industrial workers and of those who have invested their money in Irish industry.

Fine Gael will encourage Private Enterprise by tax and fiscal policies appropriate to modern conditions.

Fine Gael will intensify efforts to establish home industries— especially those based on Irish raw materials—which already have access to export markets. Existing grants, loan facilities and tax concessions will be continued.

Fine Gael, believing in the right of Irish men and women to earn their livelihood in Ireland, will strive to provide employment for all, and industrial development will be directed towards this end. Fine Gael will make arrangements for the granting of loans at a specially low rate of interest for approved projects which will provide permanent employment at good wages for our people, with special reference to industries to provide for rural workers.

## **6. INDUSTRIAL RELATIONS :**

1. Fine Gael accept as basic that good industrial relations are essential to economic progress; that such relations are best achieved through direct negotiations (conducted in a spirit of mutual confidence) between the Trade Unions and employers.

A Fine Gael government will encourage and foster the development and maintenance of good industrial relations, and will introduce any legislation that may be necessary to give statutory effect to proposals agreed between employers and employees.

2. Fine Gael will provide a scheme of Arbitration for Sub-Postmasters.

3. Fine Gael will increase the pensions of C.I.E. pensioners,

## **7. AGRICULTURE :**

(1) A Fine Gael government will negotiate with the British Government to protect and expand the market for Irish agricultural produce in Britain. Negotiations will also be conducted to ensure that Irish farmers will be able to sell their produce profitably in all other available markets.

(2) Marketing Boards will be established to sell all the increased output of the land at prices profitable to the farmer.

(3) Fine Gael will establish a National Agricultural Advisory Service for farmers. This Advisory Service will be based on Parish Agents, and the present Advisory Services of the County Committees of Agriculture, in co-operation with the Agricultural Institute. Fine Gael believe that the income of farmers can be doubled through the full and proper use of such an Advisory

Service including specialist advisers in modern techniques of production and marketing. Fine Gael rejects the Fianna Fail view that by 1970 a further 66,000 people will have left the land. Fine Gael believes that by means of their comprehensive advisory service every farmer, large and small, will be kept abreast of modern farming methods and so be enabled to sell their products in increasing quantities in competition with the rest of the world.

(4) Interest free loans to farmers of sums ranging up to £1,000 will be made available for schemes of increased production planned in conjunction with the Advisory Services. Other credit facilities for farmers will be provided to help farmers to derive the maximum benefit from Fine Gael's comprehensive programme for agricultural expansion.

(5) Fine Gael will press forward with Progeny Testing in order to improve all classes of livestock.

(6) The use of Phosphate, Lime and Potash on land, grass and tillage will be expanded. At the same time an adequate soil survey of the land will be got under way.

(7) Part B. of the Land Project, closed down by the Fianna Fail Government will be revived.

(8) Farmers will be provided with dwelling-houses by the Land Commission. The cost of providing dwelling-houses will be added to the Land Annuity as was done under the Land Project.

(9) Fine Gael will increase to £50,000 the annual grant to the Irish Agricultural Organisation Society to help them in promoting more effectively co-operation, in production and marketing.

(10) Grant and Loan facilities of the same order as those available for industrial projects will be provided for schemes in rural Ireland designed to process or market agricultural products.

(11) Fine Gael will establish a Farm-Buildings Agency, which, through ordinary tender among local Contractors, will provide on farms, farm buildings such as cow houses, calf houses, sow and bonham houses, pig-fattening houses in accordance with the specifications evolved as a result of the experiments carried out by the Agricultural Institute.

## **8. EDUCATION :**

(1) Fine Gael believes that the present methods of reviving Irish have not been successful and that, in the interests of the Irish language, a change must be made. Fine Gael will seek to revive Irish on the basis of inducement rather than compulsion.

(2) Fine Gael will end the teaching of children in infant classes through Irish, where Irish is not the language spoken in the children's homes, Irish will, of course, 'be taught to all children in National, Secondary and Vocational Schools, in the same way as any other essential subject.

(3) Appointments to professional and technical positions in the Public Service will no longer be dependent on an Irish Test.

(4) The test in Irish required by statute for certain professional qualifications will be dropped.

(5) Boys and girls sitting for Leaving Certificate will get Certificates for the subjects in which they pass; they will no longer be deprived of Certificates because of failure to pass in Irish.

(6) Fine Gael will introduce a system to enable every child capable, of benefitting from further education to proceed from the National School right through to the University, irrespective of the financial circumstances of the child's parents. Scholarships will be specially provided for proficiency in Irish as part of the programme of inducement to revive Irish.

(7) Fine Gael will press ahead with a school building programme for National Schools to eliminate over-crowding in classes. Sufficient teachers to staff the schools in the new conditions will be provided.

(8) Fine Gael will provide generous grants to enable secondary schools to expand and develop and to provide the equipment necessary to cope with the demands of the future and to keep abreast of modern educational methods and techniques.

## **9 Health**

Fine Gael will carry out a complete re-organisation of the Health Services and introduce a new comprehensive 'Service' based on insurance, with the following main features : —

- (a) The present vexatious Means Test and the Blue Card system will be abolished.
- (b) The cost of the new Scheme will be met on the accepted social welfare basis of a contribution from the state of one third leaving the other two thirds to be financed by contributions from employers, employees and self employed persons.

Those unable to provide for themselves, for example Old Age Pensioners, persons receiving Widows pensions, Unemployment Benefit or Unemployment Assistance, Home assistances, farmers with a PLV of £15 and under, will be provided with all series medical surgical and hospital, drugs and medicines free of charge and without contribution.

- (c) A free medical services based on the family doctor will be extended to all persons within the scheme which will embrace 85% of the population. A free choice of doctor, free of charge, where possible, be provided
- (d) Free hospital and specialist services will be provided for all patients within the scheme.
- (e) Drugs and medicines, at substantially reduced prices, will be provided for those who do not get them free.

2. Fine Gael will provide generous grants to Bodies engaged in Cancer Research, to hasten the discovery of a cure for Cancer.
3. Fine Gael will provide increased State aid for the prevention, early diagnosis, treatment and cure of Cancer, and provide free of charge, the best medical treatment, drugs and care.
4. Fine Gael will establish child welfare clinics throughout the country to cater for children from birth to the age of 16. The present school medical examination will be abolished.
5. Community welfare centres will be established. In country areas mobile units will be attached where necessary. The welfare clinics will contain the District Nurse's office, the Family Social Worker's Office, the Welfare Clinic for Mothers and Babies, pre-school and school children mental health outpatients clinics and the home help centre.

#### **10. MENTAL HANDICAP :**

The present services for the mentally handicapped are deplorably inadequate. Fine Gael propose :

- (1) To expand considerably the diagnostic services which are non-existent in large areas of the country.
- (2) To establish where necessary Day Centres, Five-day Residential Centres, and give assistance for the expansion of the existing residential centres, for the mentally handicapped.
- (3) To provide sheltered workshops, and suitable hostel accommodation for the mentally handicapped.
- (4) To establish a single statutory authority charged with the responsibility of providing the necessary services. This authority would be under the responsibility of the Minister for Health. It would assist existing institutions in expanding their services and organisations, and provide new services where they are needed.

#### **H. DOMICILIARY WELFARE SERVICE :**

The great gap in our existing social services is the lack of a domiciliary service, i.e. a service which would be available to families, not in an Institution but in their own homes. We propose to take steps immediately to introduce and expand such a service.

We propose:

(1) To establish community welfare centres which will be manned by trained Social Workers who would work in cooperation with the local clergy, local doctors, nurses, Home Assistance officers and voluntary charitable organisations.

(2) To appoint fully trained social welfare officers who will assist the family in need in their own homes by means of expert counsel and advice.

(3) To develop a Home Help Service for old persons living in their own homes, so as to save them from the County Home, which, excellent though some of them may be, is no substitute for the independence of being on one's own floor.

(4) To provide proper help, by means of the domiciliary welfare service, to deal with the problem of children-in-care. Home help will be organised to prevent children being sent to Institutions (because of short-term emergencies, and for long-term care the Social Worker will endeavour to find foster-parents).

(5) The amount paid to foster parents will be increased.

(6) A proper after-care service for patients from mental hospitals will be established. At the present time there are only two psychiatric social workers with Psychiatric Social Welfare qualifications employed by the public Mental Hospitals in this country.

(7) A suitable system will be introduced to ensure that the social worker is made aware of the social problems in her administrative area. The Home Assistance Area will be the unit of administration for the Domiciliary Service we propose to establish.

## **12. NATIONAL PROGRAMME FOR YOUTH :**

In the field of general youth welfare we propose:

(1) To expand considerably the number of trained professional youth leaders.

(2) To increase considerably the out-of-school facilities, such as play-grounds, youth clubs and the provision of community centres where recognised Clubs can meet.

(3) To establish a system of vocational guidance at Primary School level.

(4) To establish a National Youth Council representative of all the voluntary organisations in the country, to disseminate information and advise on youth problems, and represent the country at international meetings.

To deal with the special problem of juvenile delinquency and the young offender, we propose :

(5) To increase the number of Probation Officers.

- (6) To provide a proper centre of detention with adequate facilities and a fully trained staff and a small Probation Hostel.
- (7) To improve considerably the facilities in Industrial Schools and Reformatories, including the provision of adequate psychiatric care.
- (8) To move wherever possible Institutions caring for young people to new, small and up-to-date buildings, and to establish small family group homes.
- (9) To increase grants to the existing Institutions so as to permit them to expand and improve their facilities.
- (10) To provide an adequate after-care and follow-up service for young people leaving Industrial Schools.
- (11) To stop the practice of transferring boys serving short- term prison sentences to St. Patricks and to improve the after-care service.

### **13. SOCIAL CAPITAL INVESTMENT :**

We are opposed to the Government's declared policy which resulted in a serious decline of social capital investment, particularly in the sphere of housing. *Fine Gael proposes: —*

- (1) In respect of housing :
  - (a) a scheme of subsidised interest rates to enable persons on low incomes to build and purchase their own homes.
  - (b) to introduce a similar scheme to enable existing Local Authority tenants to purchase their own homes. Such schemes are virtually non-existent in the large urban areas,
- (2) To expand greatly expenditure on social capital amenities on such things as Libraries, Swimming Pools, Children's Playgrounds and Community Centres.
- (3) To establish as part of the planning machinery a Social Commission representative of government and Local Authorities, social, charitable and religious organisations and other interested Bodies such as Trade Unions to assess the needs for social investment and integrate plans to meet them.

### **14. SOCIAL WELFARE :**

Fine Gael will expand existing Social Welfare benefits. Fine Gael will take immediate steps to initiate a scheme of retirement pensions for persons not entitled to Old Age Pensions or pensions from their employers. Such a scheme will operate along the lines of the Voluntary Health Insurance

Scheme and be open also to persons wishing to supplement any pensions they may be entitled to, but which might not be adequate.

Fine Gael will also take immediate steps to initiate a voluntary scheme of widows and orphans pensions for classes not covered by the Widows and Orphans provisions of existing legislation.

## **15. LOCAL GOVERNMENT :**

1. Fine Gael proposes to re-organise the Local Government Services by giving to County Councils, Corporations, etc. the power to decide on certain local projects and schemes without reference to the Department of Local Government. To enable Local Authorities to assume this power and exercise it effectively, they will be given block grants which they will be entitled to expend as they think best. Under this system the County and City Managers will become the Advisers and servants of Local Authorities and 'be answerable primarily to the Local Authorities and not to the Department of Local Government.

2. Fine Gael's new Health Scheme will result in removing a large part of the present health charges from the Rates when put into operation, and by giving to County Councils and Corporations a wider discretion to use the Road Grants in the way they think best a further reduction in the Rates burden will be achieved.

3. Fine Gael will restore house building by Local Authorities to the level it attained in 1957.

4. Grants will be provided for the repair of all roads not at present the responsibility of a County Council. Such roads, when properly repaired, will become the responsibility of the County Council for the future, whose duty it will be to keep them in a proper state of repair.

5. Fine Gael will introduce legislation to provide exemption from Rates for seven years in respect of the increase in the rateable valuation consequent upon improvement of houses and business premises.

6. Fine Gael will introduce a scheme to enable the owners of vested Council houses to get, in addition to grants at present available, a loan from the Council to improve or renovate their houses. These loans will be charged on the houses and will be repayable over a long period.

7. Fine Gael will provide in new legislation that there will be no increase in the valuation of a farm consequent upon improvements in a dwelling house or out offices, or in the valuation of any building where there is an improvement carried out which does not increase the cubic capacity of the building.

## **16. LAND COMMISSION :**

Fine Gael will repeal Section 27 of the Land Bill and restore fixity of tenure to the farmer.

The effectiveness and functioning of the Land Commission will be completely reviewed. The policy of the Land Commission will be re-examined in the light of the needs of the present time. Apart from any changes that may be made after the review of the Land Commission has been carried out, Fine Gael will make the following changes immediately:

- (1) The minimum size of holdings to be allotted by the Land Commission will be increased.
- (2) Fine Gael will start a scheme to provide farms for young farmers which can be leased for a period of years at an annual rent. In this way young farmers will be able to use their capital and credit in providing stock, equipment, etc.
- (3) Fine Gael will keep the purchase of agricultural land by foreigners under review, and will take appropriate steps to deal with the problem should the necessity arise.
- (4) The Land Commission will be given the task of providing dwelling houses for farmers.

## **17. FOREIGN POLICY :**

1. The foreign policy of a Fine Gael Government will be based upon the defence of freedom at home and abroad against the imperialist aggression of atheistic international Communism.
2. Fine Gael supports the United Nations and will work for the establishment of an international peace keeping Force in which all nations will share the burdens of peace keeping.
3. Our Embassies abroad will be re-organised to serve the needs of our exports, industrial and agricultural

## **18. PARTITION :**

Fine Gael believes that a united Ireland can, and will, ultimately be achieved on the basis of full respect for the rights of all sections of the community, irrespective of their religion or political beliefs. Fine Gael believes that the welfare of the people of Ireland depends on the friendly cooperation of North and South, and that co-operation can and should be continually fostered.

Fine Gael will establish in the Taoiseach's Department a Special Section devoted to hastening the end of Partition. Adequate finances will be provided to encourage developments which would remove or reduce present barriers to co-operation, eliminate misunderstanding and foster friendly and harmonious relationships with our separated countrymen in the North.

## **19. DEFENCE :**

1. Fine Gael will undertake a review of the present administration of the Defence Forces, and will make any changes that may be considered necessary and desirable, and thereby ensure confidence in and contentment within the Defence Forces.

2. Fine Gael will establish a code of regulations to govern promotion in commissioned and N.C.O. ranks.
3. The operation of the Military Service Pensions Acts of 1924, 1934 and 1949 will be reviewed, and amended where necessary.
4. The Army Pensions Acts will be reviewed, co-ordinated and amended in favour of the widows and dependent children of Officers, N.C.O.s and men. A review will also be made of present pensions and allowances in respect of wounds and disease contracted on service.
5. The Means Test for Special Allowances will be re-examined.

## **20. TOURISM :**

1. Fine Gael will intensify the development and expansion of the tourist industry by grants, interest-free loans, and the provision of adequate credit facilities. Special attention will be given to the needs of the smaller hotel and Guest Houses.
2. Fine Gael will expand and develop the activities of the Inland Fisheries Trust in the improvement of Trout and coarse fishing.
3. Fine Gael will keep the Canals open and will encourage the development of the country's inland waterways as a tourist amenity.

## **21. FISHERIES :**

1. Fine Gael will expand and develop the fishing industry based on the boat-owning fishermen of our sea coast.
2. All necessary credit facilities for boats and gear will be made available for the further expansion and development of the industry.
3. Fine Gael will press forward with research into the marketing and processing of fish in consultation with fishermen.
4. Fine Gael will provide up-to-date and safe anchorage and landing facilities for fishermen.
5. To meet the needs of a progressive fishing industry Fine Gael will expand the boat building industry.

## **22. FORESTRY :**

1. Fine Gael will press ahead with the expanded Forestry programme begun by the Inter Party Government.
2. Fine Gael will establish an organisation to market efficiently the products of Irish forests.

3. A Game Board, similar to the highly successful Inland Fisheries Trust established by the Inter Party Government, will be established. The Board will be given the job of preserving and expanding existing stocks of game, and developing this natural asset both for the benefit of Irish sportsmen and as a tourist attraction.

4. Fine Gael will provide a Pension Scheme for Forestry workers.

### **23. DRAINAGE :**

1. The drainage of main rivers will be intensified.
2. The Local Authorities (Works) Act 1949, under which smaller necessary schemes of drainage can be carried out by County Councils and City Corporations will be brought into operation again.

### **24. GROUND RENTS :**

Fine Gael will introduce legislation to enable all persons paying Ground Rents to buy out their ground rents on terms fair to them and to the Ground Landlords.

### **25. LAW REFORM :**

Fine Gael will press ahead with Law Reform initiated by the Inter Party Government with a view to bringing the law more into line with present day requirements in Ireland, and in co-operation with the Judiciary to reduce the cost of litigation in our Courts by the elimination of unnecessary and costly procedures.

Such follies as Fianna Fail's Succession Bill will find no place in such a programme, but the rights of widows and dependent children will be fully protected as advocated by Fine Gael in Dail Eireann.

### **26. SEANAD EIREANN :**

Fine Gael believes that the Senate can make a more valuable and effective contribution towards framing the laws of this State than it is being allowed to make. With this end in view Fine Gael will implement the majority recommendations of the Senate Electoral Commission whose principal recommendation was that greater representation in the / Senate should be given to the members of vocational groups in the State.