

Public Spending and Ireland's Mixed Economy

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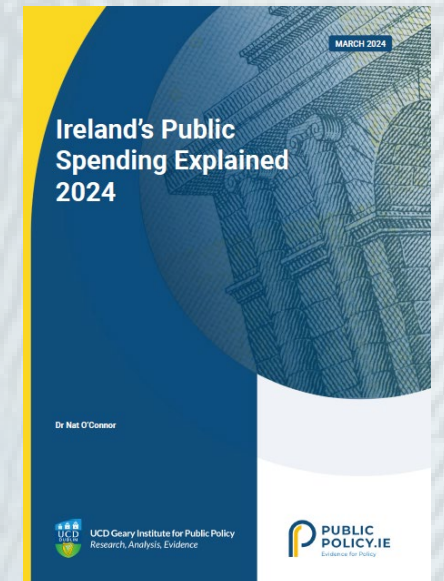
NERI Labour Market Conference 2024

Summary

- I wrote a report to explain Ireland's public spending in 2024, and this led me to think about the extent to which it is acknowledged that we have a "mixed economy" in Ireland, given that much of the political discourse still leans towards "free market" and "enterprise economy" descriptors, rather than focusing on how to improve our mixed economy.
- Examining the various public spending programmes that strongly exemplify a mixed economy demonstrates the prevalence and significance of the mixed economy.
- This also shows how much "corporate welfare" exists in Ireland.
- *This is work in progress. Feedback is welcome.*

Sources

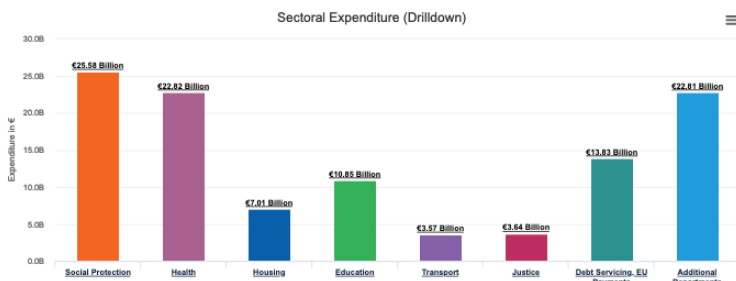
- O'Connor, N and Sweeney, P (2016) 'Crisis and Corporate Welfare' in Murphy M P and Dukelow, F (editors) *The Irish Welfare State in The Twenty-First Century*
- O'Connor, N (2024) *Ireland's Public Spending Explained 2024*. UCD Geary Institute. [**Available on publicpolicy.ie**]
- Revenue (2024) *Cost of Tax Expenditures* report



1. A uniform total.
2. “Spending Programmes”.

2024 Total Expenditure:
€110.1 billion

Sector	Expenditure (€ billion)
Social Protection	€25.6 billion
Health	€22.8 billion
Housing	€7.0 billion
Education	€10.9 billion
Transport	€3.6 billion
Justice	€3.6 billion
Debt Servicing, EU Payments	€13.8 billion
Additional Departments	€22.8 billion



Databank.per.gov.ie


Department of Public Expenditure & Reform - Dashboard

[illegible]

The Revised Estimates for Public Services (REV)

€114.4 billion

- Budget 2024/REV € 96.3 billion
- Non-voted spending € 13.8 billion
- Local government (own sources) € 4.32 billion (estimated)

€ 114.4 billion

Not included:

- Fully commercial state enterprises
- Private transactions (e.g. fees for GP services)
- Charities' fundraising
- Tax expenditures (€7.1 billion+)

105 Spending Programmes

€114.4 billion

- 30 'top' spending programmes (1% or more)
 - €1.14 billion+ each
 - Total €93.1 billion
- 44 'major' spending programmes (0.1%-0.99%)
 - €114 million+ each
 - Total €20.1 billion
- 31 'smaller' spending programmes (Less than 0.1%)
 - Less than €114 million each
 - Total €1.2 billion

For example:

- State Pensions
- Acute Hospital Services
- Primary Teachers
- Water
- Etc.

Mixed Economy

- “Most countries can be characterized as having a mixed economic system that combines elements of market and planned economies. For example, in some countries ownership of firms is dominated by the private sector for some industries, while the government owns and controls many other industries, such as energy production, mineral extraction, and transportation.
- “In mixed economies the government plays a role in regulating private businesses to enforce competitive practices, social well-being, environmental protection, etc. Common critiques of mixed economies revolve around whether there is too much or too little government intervention, and whether private or public institutions are best suited for providing certain goods and services, such as health care and natural resources.”

Versus laissez faire, “free market”, enterprise economy, social market economy, centrally planned economy, etc.

Context

- Relatively high labour market participation
- High levels of employment/low levels of unemployment
- High inflation (and attempts to curb inflation)
- Yet, the state is as involved in the private sector economy as ever...providing major supports, but is antipathetic to the concept of industrial policy
- **e.g. Future Ireland Fund, AIB, offshore wind, urban planning, planning for post-FDI development, regional development, social and environmental clauses, etc.**

'Mixed Economy' Spending

- Practically every spending programme has a component of spending on private sector activity (e.g. procurement, construction, equipment and supplies, consulting services, etc).
- Some spending programmes are highly focused on economic development or supporting “enterprise”.
- And some amount to “corporate welfare”.

Top Spending Programmes

- State Pensions
- Acute Hospital Services
- Illness, Disability and Carers' Income Supports
- Local Government (Self-Funded Activity)
- **Investment in the Future Ireland Fund**
- Civil and Public Service Pensions (Major Schemes)
- Working Age Income Supports
- **Housing**
- Primary Care Reimbursement Service
- **EU Budget Contribution**
- National Debt Servicing
- Primary Teachers
- **Specialist Disability Services**
- Child-Related Income Supports
- HSE Other Operations and Services
- **School Infrastructure and Other Grants**
- Higher Education
- International Protection (including Ukrainians)
- Garda Síochána
- Water
- Secondary Teachers
- Primary Care
- **Public Transport**
- **Health Capital Spending**
- Older Persons' Services
- Other Non-Voted Expenditure
- **Road Networks and Road Safety**
- Mental Health
- **Childcare and Related Programmes**
- **Long Term Residential Care**

Major Spending Programmes

- Child and Family Support—Tusla
- **Farm Supports and Controls**
- Defence
- Supplementary Welfare Payments and Agencies
- **National Training Fund**
- **Jobs and Enterprise Development**
- Special Needs Assistants
- ETB Teachers
- Overseas Development Assistance
- Welfare Administration
- Working Age Employment Supports
- The Revenue
- Commissioners
- **Skills Development**
- Department of Health
- Local Government Fund
- **Energy Transformation**
- OPW Estate Management
- Prisons
- Agri-Food Policy and Strategy
- **Connectivity and Communications**
- Criminal Justice
- School Transport Services
- **Food Safety, Animal Health and Welfare**
- Arts and Culture
- Active Travel and Greenways
- Protected Non-Government Public Spending (Oireachtas, Judiciary)
- Broadcasting
- Foreign Policy Goals
- **Research, Innovation and Science**
- CEDIY Policy and Legislation
- **Enterprise Innovation**
- Planning
- Civil Justice
- Heritage
- Community Development
- **Tourism Services**
- Sports and Recreation Services
- **Rural Development, Regional Affairs and Islands**
- Courts Service
- **Seafood Sector**
- OPW Flood Risk Management
- Climate Action and Environment Leadership
- **Consumer and Employment Regulation**
- **Maritime Transport and Safety**

Smaller Spending Programmes

- **Circular Economy Development**
- Gaeltacht
- **Tailte Éireann—Registration, Valuation, Surveying**
- Central Statistics Office
- National Shared Services Office
- Director of Public Prosecutions
- Met Éireann
- Government Chief Information Officer
- Passport Service
- Public Expenditure Management and Reform
- Chief State Solicitor's Office
- Transport IT, Engagement and Research Delivery
- Department of Finance
- Department of the Taoiseach
- **Civil Aviation**
- Data Protection Commission
- Attorney General
- Public Appointments Service
- **Office of Government Procurement**
- The Comptroller and Auditor General
- Office of the Ombudsman
- State Laboratory
- Electoral Commission
- Irish Human Rights and Equality Commission
- Charities Regulatory Authority
- Policing Authority
- Tax Appeals Commission
- **Regional Assemblies**
- President's Establishment
- Secret Service
- Centenarians' Bounty

Spending that Promotes Private Enterprise

- Investment in the Future Ireland Fund
- Housing
- EU Budget Contribution
- School Infrastructure and Other Grants
- Public Transport
- Health Capital Spending
- Road Networks and Road Safety
- Childcare and Related Programmes
- Long Term Residential Care
- Farm Supports and Controls
- National Training Fund
- Jobs and Enterprise Development
- Working Age Employment Supports
- Skills Development
- Energy Transformation
- Agri-Food Policy and Strategy
- Connectivity and Communications
- Food Safety, Animal Health and Welfare
- Research, Innovation and Science
- Enterprise Innovation
- Tourism Services
- Rural Development, Regional Affairs and Islands
- Seafood Sector
- Consumer and Employment Regulation
- Maritime Transport and Safety
- Circular Economy Development
- Tailte Éireann—Registration, Valuation, Surveying
- Civil Aviation
- Office of Government Procurement

= €28.8 billion

Corporate Welfare

“the various benefits and services that directly, or indirectly, meet the needs of businesses.” (Farnsworth 2013)

Sweeney (2013) estimated state support to the enterprise sector, “including cash grants and subsidies, and through the employment of many thousands of public servants of public servants involved in supporting the enterprise sector” at between €4.7 and €6.2 billion in 2011.

Includes some tax expenditures.

Corporate Welfare (low estimate)

Farm Supports and Controls	€979,481	} = €3.7 billion
National Training Fund	€920,253	
Jobs and Enterprise Development	€890,325	
Skills Development	€570,376	
ETE Innovation	€244,917	
Consumer and Employment Regulation	€133,272	} = €1.1 billion
R&D Tax Credit	€753,000	
CAT Business Relief	€198,141	
CGT Entrepreneur Relief	€142,900	
Total	€4,832,665	

Conclusions (preliminary)

- The elephant in the room is **the extensive and pervasive role of the Irish state in many aspects of the economy.**
 - Public investment is intrinsic to the continuity of some sectors (e.g. agriculture, seafood, for-profit social care, housing) and supports continue even during low unemployment.
 - Yet the main parties (FG, FF) and finance departments/agencies persist in a discourse of “enterprise”, “fostering innovation”, etc. mimicking US/UK discourse on “free market” economics.

Two assertions:

- A. We fail to achieve optimal **value for money** for the extensive public spending in support of the private sector.
- B. We fail to achieve economic, social and environment outcomes that could have been achieved through **a strategic mixed economy approach.**