

## Ireland Needs to 'Reposition' Economy - Lenihan

September 17, 2008

Ireland needs to re-position the economy to pursue export-led growth if living standards are to be maintained, Minister for Finance Brian Lenihan said today. Addressing a major conference on the economy at Dublin Castle this morning Mr Lenihan warned that tough economic decisions need to be taken in the forthcoming Budget.

"The construction industry cannot be the main driver of growth in our economy. That day is gone: we have had our construction boom and now we have moved onto a different phase in our economic development," Minister Lenihan told delegates at the Institute of Public Administration (IPA) hosted event.

"Further sustained improvements in our living standards will be contingent upon our ability to continually re-position the economy in the production and export of knowledge-intensive goods and services," he added.

Mr Lenihan said that given the current economic difficulties, priority must be given to investment in those areas which generate "the most significant returns".

"In the case of public investment, the term 'productive' cannot be limited to investments yielding an adequate return to the Exchequer. It extends also to investment which enlarges the national income by creating a flow of goods and services which are saleable without the aid of subsidies."

I am determined that public expenditure adjusts accordingly in order to restore international confidence in the Irish economy and in the public finances. This is the job that we in Government are actively doing and next month, I'll present my Budget some seven weeks earlier than is normally the case. With resources less plentiful, the need to re-prioritise is essential given the changed circumstances we are in," said Mr Lenihan.

Former taoiseach Dr Garret FitzGerald told the conference that Ireland finds itself in a place where wage levels are inflated to a level that has made it impossible for us to compete successfully with our European partners.

"Within the past seven years, this has inevitably led to a slowing of goods exports that has cost us the loss of almost one-third of our share of the world market for goods," Dr FitzGerald said. He added that another concerning factor was that in four of our seven most recent years, 2000 to 2007, the increase in national consumption exceeded the increase in national income.

Separately, Prof. Frances Ruane of the ESRI told delegates the growth engine of the Irish economy today is mainly found in foreign-owned enterprises, and despite recent reports, we are still a considerable distance away from having large numbers of strong internationally-trading indigenous businesses. "We ignore our dependence on these foreign-owned enterprises at our peril," she warned.

Other keynote speakers at today's conference which celebrates the 50th anniversary of the *Economic Development* policy document included its author, Dr TK Whitaker, David Doyle, secretary general of the

# HEALY CONSULTANTS

Department of Finance, Professor Paul Hare of Edinburgh's Heriot-Watt University and Professor Nick Crafts, of the University of Warwick.

**Source: [irishtimes.com](http://irishtimes.com)**