

Headline: We risk becoming punch drunk on McCreevy's large helping of cheer

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I HAVE three major problems with the Budget. Firstly, as everybody knows, we are suffering inflation and this Budget risks making things significantly worse. There is an old cliché that the role of a central banker is to take away the punch-bowl just as the Christmas party is getting going. We are now in a situation where the party risks going out of control. Not only do we not have a central banker to take away the punch-bowl but we have a Finance Minister who is lashing several extra bottles of vodka into it. Government expenditure is going up and taxes are going down. This can only mean one thing: More inflation.

Secondly, the Government's attempt to disguise the fact that we have a severe inflationary problem by cutting VAT rates only risks making things worse. Any tax cut risks fuelling inflation. A cut in the VAT rate may make it appear inflation is not as severe as it is, but at the cost of making the underlying inflation worse.

Finally, I have a major problem with the ongoing policy of discriminating in favour of families when both spouses are working, and discriminating against single-earner families. This makes no economic sense at all. Minister McCreevy is doing this to give people an incentive to go out to work. But he is ignoring the fact that work in the home is just as valuable as work outside the home. Economists agree that our gross domestic product figures should, in principle, include the housework done by women and men working in the home. That this isn't done just reflects the practical difficulties in measuring this output. The Government seems to believe the only output that is worthwhile encouraging is the output that occurs outside the home, and that is included in our GDP statistics.

Imagine a situation where you have two couples living next door to each other. Both housewives take care of their children. Neither is contributing to GDP the way it is currently measured. Now imagine that each housewife works in the other's home, taking care of her neighbour's children in return for a payment of £200 per week. GDP, the way it is currently measured, has now gone up by £400 a week but no-one would claim that society is better off. That is the absurdity of the way our GDP statistics are currently calculated. It is the essential flaw in this Government's attempts to get women out of their homes and put them into the workplace. Common sense and economic theory both suggest that the people best-qualified to make decisions about whether to have children, how many to have and how to rear them are the parents themselves. Any government attempts to direct people's decisions in one direction or another are likely to reduce overall welfare. The Government's aim seems to be to get women into the formal work-force and to have children cared for in creches. That policy may succeed in raising GDP but it is likely to reduce welfare. When students enter our classes in the first year of college we teach them that increasing GDP is a means to an end. It is not the end in itself. The only proper aim of government policies should be to increase the overall welfare of society. When it comes to childcare issues that implies the Government's only proper role should be to expand the range of choices available to people in as neutral a manner as possible.