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Erosion of competitiveness now worse than during Celtic Tiger era, warns Ibec

Chief executive says Ireland is in danger of squandering economic turnaround

Wage demands and soaring rents threat to State's hard-won recovery, says McCoy

EOIN BURKE-KENNEDY

Ireland is eroding its competitiveness quicker now than during the boom, employers' group Ibec has warned. Chief executive Danny McCoy said excessive wage demands and soaring rents – both commercial and residential – were threatening to unravel the State's hard-won recovery.

"Right now, we're burning through our competitiveness in a way that's more severe than during the Celtic Tiger," he said.

Mr McCoy said rents on Baggot Street in Dublin 2 where Ibec has its headquarters have risen from €25 per sq ft to €62 per sq ft inside three years.

"That type of exponential growth in terms of the cost base of the economy will erode our competitiveness," he told an Ibec-hosted business leaders event in Dublin's Convention Centre. Ireland, he said, was at the pinnacle of a major growth phase in the global economy but faced significant challenges.

"There's never been a time in history where all the big engines of the global economy – the US, Europe and China – have been growing simultaneously and with such strength."

He said current disquiet over Ireland's headline growth rate, put at 7.8 per cent in gross domestic product (GDP) terms for 2017 – a figure which critics say is distorted by multinational activity – was misplaced.

"GDP is the official, international measure of an economy. If that's driven by intangibles – as it has been as a result of the OECD work – to deny that is to miss the opportunity," he said.

Intellectual capital

Mr McCoy said Ireland was effectively a resource economy but, instead of the resource being oil, "we've found something more valuable which is intellectual capital".

However, he warned the State was consuming "this largesse" without investing in the necessary infrastructure and education system to make it sustainable.

He described as "unconscionable" the fact that a state as rich as Ireland was spending so little on education and did not have a single university in the top 100 globally.

"What we've observing very clearly is a form of private affluence developing against a public infrastructure that's not keeping pace," he said, referencing economist JK Galbraith's famous line about the unacceptable gap between "private affluence and public squalor".

"The wage demands that are coming into our workplaces right now are for compensation for housing costs or the lack of housing and the extensive time it takes people to come to work," he said.

'Intangibles'

Mr McCoy said the notion that wages are simply a function of the relationship between employer and employee and had nothing to do with wider infrastructural resources, was bogus.

Also speaking at the event was Jonathan Haskel, author of *Capitalism without Capital*, which charts the rise of investment in "intangibles" like IP in modern economies.

Prof Haskel said the market values of Apple, Google and Facebook were primarily derived from their intangible assets.

Taking the case of Apple, the most valuable company in the world by market capitalisation, he said its main assets are intangibles, relating to design, intellectual property rights, branding rather than on any fixed, physical assets owned by Apple itself.

While businesses always invested in non-physical or intangible assets – training, research and development – until recently such investments were dwarfed by tangible investments, Prof Haskel noted. However, this has been turned on its head since the tech boom of the 1990s and accelerated since the crash with business investment in "intangible" capital now comfortably surpassing investment in tangible, physical capital.

Prof Haskel said Ireland was at the forefront of this new wave of globalisation.