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NEW IRELAND FORUM

REPORT

2nd May 1984

Seventeen⁽¹⁷⁾ Booklets filed O.A. #9188

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PRESS RELEASE.

The New Ireland Forum issued its final Report on May 2, 1984. Enclosed for your information and archives are a copy of the Report, together with a copy of each of the published proceedings and studies of the Forum since its inception on May 30, 1983.

- Enclosed are :
1. New Ireland Forum Report, May 2, 1984;
 2. The Legal Systems, North and South;
 3. A Comparative Description of the Economic Structure and Situation, North and South;
 4. The Economic Consequences of the Division of Ireland since 1920;
 5. The Cost of Violence arising from the Northern Ireland Crisis since 1969;
 6. Proceedings 1 - 12 public sessions.

contact ; James A Sharkey
 Kevin Dowling

May 11, 1984.

No. 1

NEW IRELAND FORUM

Public Session

Monday, 30 May 1983

Dublin Castle

REPORT OF PROCEEDINGS

Statements by —

The Chairman, Dr. Colm Ó hEocha
The Taoiseach, Dr. Garret FitzGerald, T.D.
Mr. Charles J. Haughey, T.D.
The Tánaiste, Mr. Dick Spring, T.D.
Mr. John Hume, M.E.P.

Chairman (Dr. Colin O'Riordan)

Members of the New Ireland Forum, Ladies and Gentlemen: The first meeting of the New Ireland Forum is called to order.

This Forum has been established in order to contribute to the achievement of a lasting and just settlement of the Northern Ireland problem. It represents a new stage in the process of reconciliation and peace-making in Ireland. It is a response to the tragedy of the past and to the need to ensure that our children will live in peace and harmony.

NEW IRELAND FORUM

Naturally, I consider it a great honour to have been invited to be Chairman of the Forum. My role, as I understand it, is to facilitate what I hope will be an intensive exchange of views and ideas, and to be available for such consultations as you may require in order to reach consensus. I would like to think that there would be the broadest input to the Forum, in particular from Northern Ireland. Above all, it is your Forum and it is your opportunity to produce a blueprint which will lead to the achievement of peace.

Public Session

Monday 30 May 1983

Dublin Castle

The persistent crisis in Northern Ireland has caused many affairs of a residential and a political nature. It has led to a long-lasting conflict in Western Europe. Nevertheless, the vast majority of the people who live on this island are united in one undivided belief. It is that peace and stability can follow from political agreement, freely given, and not from domination by one community over another.

The challenge now facing us is to fashion a land where confidence and hope replace anxiety and fear. Our efforts will be keenly observed by everyone living on this island and by our friends abroad, in Britain, in the other member states of the European Community and in the United States of America.

The Forum will help us to explore fully our own positions and proposals. And it will provide an opportunity to re-examine our own perceptions in the light of what we have to tell each other.

As an inspiration for our work, may I suggest the inscription on the crest of the University of Calgary in Alberta, Canada. The wording is in Sanskrit. It reads, "Mo shrute jagat sukam". I raise up my eyes. I suggest that we, also, in the New Ireland Forum, raise our eyes to meet the major challenge that faces us.

NEW IRELAND FORUM

Public Session
Monday 30 May 1983
Dublin Castle

Chairman (Dr. Colm Ó hEocha):

Members of the New Ireland Forum, Ladies and Gentlemen: The first meeting of the New Ireland Forum is called to order.

This Forum has been established in order to contribute to the achievement of lasting peace and stability in a new Ireland. It represents a major opportunity for our generation to work for the reconciliation of the divisions that have caused suffering and tragedy for too many decades and to enable all our children to live in peace and harmony.

Naturally, I consider it a great honour to have been invited to be Chairman of the Forum. My role, as I understand it, is to facilitate what I hope will be an intensive exchange of views and ideas, and to be available for such consultations as you may require in order to reach consensus. I note also that it is your hope that there would be the largest input to the Forum, in particular from Northern Ireland. Above all, it is your Forum and it is your opportunity to produce a blueprint which will contribute to the achievement of peace.

The persistent crisis in Northern Ireland has defeated many efforts at resolution and it now remains the most serious and long-lasting conflict in Western Europe. Nevertheless, the vast majority of the people who live on this island are united in one unqualified belief; it is that peace and stability can follow from political agreement, freely given, and not from domination by one community over another.

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As an inspiration for our work, may I suggest the inscription on the crest of the University of Calgary in Alberta, Canada. The wording is in Scots Gaelic. It reads "Mo shuille togam suas", I raise up my eyes. I suggest that we, also, in the New Ireland Forum, raise our eyes to meet the major challenge that faces us.

And now I invite An Taoiseach, Dr. Garret FitzGerald, T.D., to address the New Ireland Forum.

The Taoiseach (Dr. Garret FitzGerald, T.D.):

Mr. Chairman, today we begin a unique attempt to bring peace and stability to this island by facing reality: the reality of the tragic and frightening crisis of Northern Ireland.

This is a critical occasion for the future of all the people of our island. I say this for three reasons.

First, because the problem we face is of such fundamental importance to the well-being of every Irish man, woman, boy, girl; to the stability of society throughout this island; to our self-respect as human beings; and to our reputation in the world. Further, because, underlying all the issues that we must examine, is the right of people in this island to live, and not to be murdered, because of their birthright.

Second, this occasion is 'critical' because it is conceivable, although I believe unlikely, that we might fail: we might not succeed in holding together in our attempt to face reality; or we could simply get it wrong, because the problem might prove too daunting or too complex for our collective capacity. The price of such a failure could be to make a bad and dangerous situation worse; it is a price that would be calculated in human lives and in even deeper misery and despair. A heavy responsibility thus lies on every one of us in the New Ireland Forum.

Third, this is a 'critical occasion' because, should we together succeed in confronting reality — and I believe we shall — then we will have wrought a deep and permanent change in our own attitudes, collectively acknowledging the difficult problems which lie at the heart of unionist fears and distrust. In thus collectively and publicly facing the reality of these problems we will, for the first time, have laid the basis for a real dialogue. And, by facing reality together now, we will have laid the basis for then taking together the extremely difficult decisions which any resolution of this problem, bringing peace and stability to this island, will require. All of us, by thus coming together, have evidenced our intent to take this issue out from the area of party politics and to seek consensus.

Moreover, because it is a critical occasion for all of Ireland North and South, unionist and nationalist, it is necessarily also of vital importance to the people of Great Britain and their Government. They too must find the courage to face reality. Britain's failures hitherto have been our calamities. Our success now would be their opportunity to help us to bring peace and stability to this neighbouring island of theirs, and enduring brotherhood to the relations between our two countries.

It was because of my conviction that we, the people of this State, have not sufficiently stirred ourselves to face reality, that I proposed the establishment of this Forum. In doing so, and in proposing terms of reference for it, I was concerned above all to ensure two things: first, that those terms of reference should contain nothing that could inhibit the co-operation of the democratic nationalist parties in this island; that this has been achieved is evidenced by our presence here today. And, second, that they should contain nothing that could make it difficult for people drawn from the majority section of the community in Northern Ireland to join in helping us with our work.

Mr. Chairman, I would hope that any concerned person or group of people who have given serious thought to ways in which permanent peace and stability can be brought to this deeply divided island will give the Forum the benefit of their considered views. The more of us who attempt to face reality together, the more courage we shall have, all of us, to do what is necessary to achieve this end.

But, we here, all of us participating in this Forum, and those we represent, are nationalists. And, I believe that we of the nationalist tradition cannot tackle the most important and the most difficult part of our job without the help of people from the unionist tradition. We cannot hope to understand fully the position, or the problems, of that tradition unless that position and those problems are put to us directly by some of those concerned. How indeed could it be to the benefit of any unionists that nationalists here and in Northern Ireland should not understand the unionist position?

I hope, therefore, that unionists will keep an open mind on our efforts and that some from that tradition will present their viewpoint here; they too will soon see that we are in earnest, and that we seriously wish to learn from them; and perhaps, as we give growing evidence of this fact, they too will consider joining in the process of confronting us with the authentic unionist voice.

The nationalists of Northern Ireland have for generations suffered the most miserable lot of any section of the people of this island. It is an extraordinary tribute to their fortitude, and indeed to their charity, that, despite discrimination, repression and the endless smothering of their hopes, they have remained preponderantly opposed to extremism and violence and committed to democracy. I believe that the exercise that we are now embarking upon will strongly reinforce the resolution and the fortitude of the sorely tried nationalist people of the North.

The fact that their point of view is directly represented among us here is a major guarantee that this Forum will not shirk the challenges posed by this exercise in facing reality and that we will make real progress. Despite all the horror, despite the killings and the intimidation, and the successive failures of British policy, the democratic nationalists of Northern Ireland are, after all, right to retain their faith in the future.

It seems to me that we in the South can learn from them: we should hope and believe more in the possibility of progress. We often talk of the need to secure the consent of the Northern unionists; perhaps we need first to secure the real consent and commitment of the South, a consent based on a true awareness of the political and economic realities and not on myth or on bravura, or on chauvinism. I believe that we in this part of Ireland will achieve this true awareness through the Forum.

Mr. Chairman, all of the political parties in the New Ireland Forum will, in effect, for a period of months be sacrificing some of their interests and some of their independence. In deciding to do so, our parties have demonstrated an awareness of the deepening crisis in Northern Ireland and a willingness to put country before party. This is an encouraging augury for the success of our work. By this decision our parties, which are supported by the votes of well over 90 per cent of the nationalist people on this island, demonstrate on behalf of those we represent a powerful collective rejection of murder, bombing and all the other cruelties that are being inflicted on the population of Northern Ireland in an attempt to secure political change by force. Let the men of violence take note of this unambiguous message from the nationalist people of Ireland: the future of the island will be built by the ballot box, and by the ballot box alone.

Mr. Chairman, I hope I may be permitted to make a few general remarks as Leader of my party, Fine Gael, about our hopes for the New Ireland Forum.

At the outset I want to say that, given the scale of the tragedy of Northern Ireland as it has developed over the last 15 years of violence, we believe that this Forum cannot hold back from examining any structures, any solutions, that might meet the essential requirement of giving expression to, and guaranteeing, the two Irish identities: the Irish/Irish identity of the nationalist tradition, which has found itself stifled within the structures of Northern Ireland, and the British/Irish identity of the unionist tradition, which fears that it would be stifled under any different structures.

Solutions to the intricate problem of Northern Ireland must be sought and structures must be found which will be based not on preconceptions we may have inherited, but on our common assessment in this Forum of this problem as it presents itself here in the evidence we shall have to examine during the weeks and months ahead.

My party believe that we should start our work with a completely open mind, but with a common determination to identify together all the key elements in the Northern Ireland crisis and to provide honest and sensible answers to each of them. In our view it would be a tragic and, indeed, a fatal error to seek to predetermine those findings, or in any way to attempt to say now what our eventual proposals will or will not contain.

This task of hearing evidence, assessing it and securing a consensus on the conclusions to be drawn from it is, of course, an onerous one. In setting for our work a deadline of the end of the year we did not ignore this fact. But the crisis we are addressing is itself of extreme urgency and, if we are not seen to tackle it with this kind of deadline for the completion of our work, we should have no credibility with those who, in Northern Ireland, are suffering from its corrosive effects. Moreover, given that there will be a newly-elected Government in Britain, the early completion of our work is clearly desirable in order to facilitate the process of seeking jointly with that Government a review of policies with respect to Northern Ireland, which should not be delayed.

I want to say that we in Fine Gael have been in no way discouraged by the initial reactions, whether of cynicism or of rejection, on the part of unionist political parties in Northern Ireland. These initial reactions were to be expected; they will not prevent this Forum from succeeding in laying the groundwork for an eventual resolution of this intractable problem. On the contrary, we confidently believe that the spirit of generosity and hope which has charac-

terised the approach of the party leaders in preparing for today will remain the hallmark of our deliberations together, of our common approach to those who give evidence to us, and of our eventual report. In saying this I am thinking of a wise and noble insight of Thomas Davis:

Conciliation of all sects, classes and parties who oppose us, or who still hesitate, is essential to moral force. For if, instead of leading a man to your opinions by substantial kindness, by zealous love, and by candid and wise teaching, you insult his tastes and his prejudices, and force him either to adopt your cause or to resist it — if, instead of slow persuasion, your weapons are bullying and intolerance, then your profession of moral force is a lie, and a lie which deceives no one, and your attacks will be promptly resisted by every man of spirit.

I have often said that the heart of this issue is the existence in Northern Ireland of two senses of identity — the Irish/Irish sense of identity of the nationalist minority, and the British/Irish identity of the unionist majority. I believe that the existing political structures in Northern Ireland fail to accommodate these two identities, because they ignore completely the identity of the nationalist minority.

At the same time, the aspiration to Irish unity, as it has traditionally been enunciated in the vaguest of terms, has been no more accommodating with respect to the identity of the unionist majority; this aspiration has indeed been seen by them as threatening their very existence. The most difficult task we will face in this Forum will be the search for structures that would accommodate both these senses of identity and thus, and thus alone, secure peace and stability.

There are, of course, other extremely important questions: ideological, political, religious and economic. So far as we are concerned, the agenda excludes nothing. Indeed, it is essential for the success of the New Ireland Forum that it establish its credibility by being seen courageously and squarely to face up to all the difficult issues which confront the nationalist tradition today. The price of failure would be, as I said, far too high in human terms for any shirking of these issues to be permissible on our part.

In conclusion, I believe that the New Ireland Forum can and will be a great force for good in the conflict between life and death that is joined in Northern Ireland. In that conflict all of us here are ranged on the side of life. For myself and my party, it will be a great privilege to play our part.

Mr. Chairman, I wish you well in the difficult task you have undertaken and can assure you of my party's full support in all you may propose for the effective operation of this Forum. I wish in particular to express my gratitude to you for your immediate willingness to take on this responsibility when asked by the four party leaders to do so.

Through you I extend good wishes for the success of our joint endeavour to Dick Spring, Charles Haughey and John Hume. Working together under your chairmanship for real and lasting peace and stability in Ireland, we can set an example to the world of the courage, the generosity, the imagination and the intellectual honesty and sound good sense of the Irish people. With God's help, we will succeed.

Mr. Charles J. Haughey, T.D.:

Mr. Chairman, fellow members of the Forum, ladies and gentlemen, today is an historic occasion. For the first time in 60 years political parties North and South, who support the restoration of Irish unity by peaceful means, have come together to determine what new political structures are needed to achieve peace and stability on this island. Our purpose is to construct a basic position, which can then be put to an all-round constitutional conference, convened by the Irish and British Governments as a prelude to British withdrawal. The parties gathered here represent a weight of opinion that cannot be easily ignored or dismissed. Together they represent the overwhelming majority of nationalist opinion on this island, and a clear majority of the Irish people as a whole.

Early in this century a great unified effort was required to secure independence in the greater part of this island. A similar concerted effort is now required finally to secure an end to the tragic problem that Northern Ireland represents today.

Despite the impressive membership and the historic surroundings, this Forum will only succeed in its political objectives if we recognise the realities. Our work must be informed by a clear understanding of the problems if it is to lead to a permanent solution.

The first of these realities is that peace and stability cannot be secured without a withdrawal of the British military and political presence from Northern Ireland as the Minister for Foreign

Affairs has recently emphasised. In saying this we are neither diminishing the importance of any other aspect nor denying the need to safeguard and protect the Northern unionist population. Anyone who stands back from the situation can see clearly that it is the British military and political presence which distorts the situation in Northern Ireland and inhibits the normal process by which peace and stability emerge elsewhere. That process can only develop and peace and stability be secured under new all-Ireland structures in the context of which an orderly British withdrawal can take place.

The present situation in Northern Ireland is not primarily the fault of anyone living there. It is the cumulative effect of British policy in Ireland over many hundreds of years; a fact which any British Government which wishes to solve the problem must start by recognising.

It is common ground amongst us in this Forum that we are prepared to work in close co-operation with any British Government to bring forward a solution to the problem that continuously distorts Anglo-Irish relations and relations within this island because no British Government will be able to provide any solution to the problem other than in partnership with the Irish Government.

The concept of a council for a new Ireland which gave rise to this New Ireland Forum arose out of the political circumstances of last year. In the face of an unacceptable British Government initiative, which placed the political representatives of the nationalist community in Northern Ireland in an impossible position, some alternative action was needed. The nationalist people in Northern Ireland could not accept that there was no further useful role for nationalist constitutional politics. This Forum was conceived as an alternative to a total stalemate.

The British Government cannot be allowed to play the role of disinterested peacemaker between warring factions. Britain is in fact, whether she recognises it or not, acting in a partisan role, supporting unconditionally the basic unionist position, by military, political and economic power. The present Northern Ireland Assembly, a unionist-dominated body, has been explicitly stated by the Secretary of State for Northern Ireland to be designed to tie Northern Ireland into the United Kingdom forever.

The parties represented here today have come together on the basis of a common purpose. We believe, first of all, that it is only in the

context of Irish unity that a lasting solution to the Northern Ireland problem can be found and, secondly, that Irish unity can only come about by the use of constitutional political means.

Northern Ireland was founded on the threat of civil war and has rested ever since on an unhappy foundation of civil and military power. Thirteen years of violence and 2,000 deaths have brought sorrow, bitterness and frustration.

The British Army, sent in 1969 to pacify the province and uphold the constitutional position, has manifestly failed in its task. Perhaps its task was impossible anyhow and the repression of the civilian population that has taken place inevitable. The paramilitary organisations have nothing to show either but a legacy of hatred and suspicion.

Partition was brought forward over sixty years ago to solve a political problem but has totally failed to do so over that long period. Another political solution must now be found.

Ulster has played a pivotal role in Irish life. From Ulster, Christian missionaries went forth to Scotland, and St. Columba's island of Iona symbolises the link between all the people of these islands.

The siege of Derry and the battle of the Boyne, the birth of republicanism among the Presbyterians of Belfast, the meeting of the Irish Volunteers in Dungannon — these and many other events had a profound effect on the course of Irish history. Modern Ireland reflects these events and happenings and while Ulster has often been the scene of conflict and antagonisms it has also been a source of courage, inspiration and patriotism.

The discussions in the New Ireland Forum must be founded on respect for the unionist tradition, but also and equally on respect for our own. In Ireland today we all are what we are; we must accept each other as we are, neither apologising nor condemning but working to find solutions on the basis of mutual tolerance and acceptance. What independent Ireland has built up over the last sixty years is the natural foundation of the new Ireland but we do not see unity in terms of the people of the North being absorbed into or annexed by the Republic. It is instead a question of building the new Ireland with their help and participation, using the materials that we have both North and South, benefiting from our respective experience and the institutions that we have developed.

The new Ireland must be firmly based on agreement and consent. There have been attempts to create confusion and misunderstanding as to what this would mean from those living in the South. The belief has been canvassed that we would have to jettison almost the entire ethos on which the independence movement was built and that the Irish identity has to be sacrificed to facilitate the achievement of Irish unity. Nothing could be more erroneous or destructive.

In this part of Ireland we have much to be proud of in what has been achieved since independence. We need apologise to nobody about the character or performance of our State, and we do not intend to do so. Independent Ireland was founded on the ideal that all the children of the nation would be cherished equally and, in broad measure, we have been faithful to that ideal, particularly in respect of political and religious minorities. If there have been blemishes, they are small ones and not necessarily all on the one side.

The challenge is to find a way of accommodating our different strongly held beliefs and cultural values, rather than to suppress or supplant one by another. We accept without reservation the right of the people of Northern Ireland to retain the way of life to which they are accustomed and to the full expression of their identity and their beliefs.

Agreement and consent means that the political arrangements in Ireland to be established following the cessation of the British military and political presence will have to be negotiated, agreed and consented to by the people of Ireland, North and South, or by their political representatives acting on their behalf.

Partition, the State of Northern Ireland itself, was never legitimate from a democratic point of view and cannot be made so. But we readily and willingly concede that the establishment of a new political order in Ireland and a new social contract can only come about through a major revision of existing structures.

I believe that a new constitution will be required for a new Ireland. A united Ireland would represent a constitutional change of such magnitude as to demand a new constitution. That constitution, in our view, can only be formulated at an all-round constitutional conference in which all sections of the Irish people, North and South, would participate. It is only in this way that we can provide all the appropriate safeguards and guarantees required for the security and protection of every section of the Irish community.

The divergent practice which has been followed in many matters, not just matters of a conscientious or moral nature, North and South, means that complete harmonisation of laws, administrative practices and social structures may only be possible if carried out over a gradual and perhaps extended period. We may have to consider some degree of autonomy for Northern Ireland, be it on the basis of the same area, or a smaller one. We have the example, in the state of Great Britain for instance, of Scotland with its own legal system and its own educational system, an administration in Edinburgh, a Cabinet Minister, and a grand committee of Scottish MPs in Westminster who legislate on Scottish affairs.

Eamon de Valera's offer in 1938, which would have allowed for the continuation of a subsidiary parliament, was based on the principle that sovereignty would be transferred from Britain to Ireland, but that Northern Ireland would continue to enjoy the autonomy it possessed at that time. How relevant that concept is today must be considered in the light of all that has happened since and particularly the fact that in 1972 the Government and Parliament of Northern Ireland were abolished, in recognition of the fact that the State of Northern Ireland could no longer function as a political entity.

Our deliberations must have regard to the practical considerations militating against the setting up of two, or possibly three, Governments and Parliaments in this small island whether they are in a relationship of equality or subordination to each other. Ireland is too small to need or support elaborate tiers of Government.

We shall, I hope, look with open minds on a variety of different political structures. We would greatly wish to have full Northern participation in an Irish Government and Parliament from the beginning. At present, Northern politicians play no direct role in the government of Northern Ireland. From that frustration there naturally arises a fear among unionists that in a new Ireland they might also be without power or influence and the people they represent discriminated against.

A proposal which must be maturely examined is that for a specified transitional period power should be shared in the island as a whole. In an extended and reconstituted Government for the whole island arrangements could be devised to guarantee adequate participation in government by Northern representatives.

A matter of equal importance is the status of Ireland's relations with Britain and with other countries. A new Ireland would be a

sovereign independent state: the Irish Republic desired by generations since the day of the first Belfast republicans of the late 18th century. That Republic could develop structures, relationships, associations of a bilateral or multilateral kind with Britain that would not compromise our sovereignty and independence, but would give recognition of their long established links with Britain to those who adhere to the unionist tradition in Ireland.

It goes without saying that no one possessing British citizenship would be deprived of it and it ought to be possible to negotiate for the continuation and passing on of such citizenship rights to those who value them.

We recognise that Britain has her own defence requirements. In this Forum we shall advocate the principle already stated that Ireland would never allow her territory to be used as a base for attack on Britain and would be prepared to enter into a treaty arrangement needed for that purpose.

This Forum will necessarily concentrate much of its attention on the economic implications of unity. As a general principle there is no reason why this whole island, with all its known resources, and those still to be explored should not develop to the same level of material prosperity as has been achieved anywhere else in Europe.

The establishment of a lasting peace in Ireland would bring very considerable economic benefits to both parts of Ireland, some of them immediately, others in the long-term. The whole island, but particularly Northern Ireland, would become a much more attractive location for investment. The tourist industry would revive immediately and dramatically. The heavy burden of security would be greatly reduced.

Joining the two parts of Ireland together would produce economies of scale and open up a variety of possibilities for advantageous co-operation. The enlargement of the domestic market for both parts of Ireland would be a major benefit in itself. Joint investment, export and tourism promotion programmes would bring benefits to the whole island, and would give Northern Ireland the benefit of access to what are universally acknowledged as successful State agencies in the South. Co-operation in transport and communications, in developing our agricultural structures and markets would bring immediate and substantial benefits.

In economic and political terms, as a nation of five million people

we would be a country comparable in size and international status with many of the Scandinavian countries such as Denmark, Norway or Finland. The interests of both parts of the country could be more effectively promoted from this unified base. At present, the voice of Northern Ireland is scarcely heard at all, overshadowed as it is by that of London. This Forum should be able to demonstrate to the political representatives of Northern Ireland that sharing in the leadership of this country and of this island, and having a voice in international councils, is infinitely preferable to continuing in a kind of political limbo that is their position at present.

There can no longer be any doubt left in anyone's mind about the desire in the nationalist philosophy to promote the economic welfare of this island as a whole, North and South. The Republic has offered Kinsale gas to the North on reasonable terms. We subsidise the Dublin/Derry air service. We are pursuing actively the possibility of arranging for engineering and shipbuilding contracts to go northward. The one Member of the European Parliament representing the nationalist community of Northern Ireland has diligently sought to promote the economic welfare of Northern Ireland right across the board in Brussels and has had the whole-hearted support of his Southern colleagues in his efforts.

We can, I suggest, envisage an economic transitional period of reasonable length between the new Ireland and the old. It would be reasonable to request the British Government to make a major contribution to assisting the transition by economic and financial measures.

There would almost certainly be a willingness in the European Community to contribute to investment in economic infrastructure, and firm indications have already been given of US willingness to participate in the economic development of a united Ireland.

This New Ireland Forum, if we adhere to clear objectives, can certainly mark a new phase in progress towards a lasting and peaceful solution throughout Ireland. This time last year we celebrated the bicentenary of Grattan's Parliament and the declaration of independence of 1782. The national unity of 1782 was all too brief a moment of exhilaration, but like other movements in Irish history it inspired many succeeding generations.

It was here in Dublin Castle, two and a half years ago, that a British Prime Minister acknowledged that the problem of

Northern Ireland could only be solved by the joint action of the two sovereign Governments. It is with that truth clearly in our minds that this Forum takes the first steps along the road to a final constitutional settlement.

Unionist and Nationalist, Protestant and Catholic, all share the one island and are deeply attached to its soil. All belong and have a contribution to make to our common country. We may not have chosen one another as neighbours, but it is as neighbours we have to live. Nobody else can settle for us the problems we have or think we have as neighbours. We have to solve them together or they will remain unsolved with all the cost in material terms and human suffering that this will entail.

The time is ripe for a new start. It is our duty to rekindle the spirit and the political energies of the nation. The people of the North, as part of the people of Ireland, have a long tradition of resilience and courage, which in the past has been put to the service of Ireland. The descendants of those who led this nation in the past — the United Irishmen of the North, who made the mental break with the British connection and who thereby altered the whole mould of Irish history — not merely have a future on this island, but are in a position to help guide its destinies. The pride of the people of the North in their province, in what they have painstakingly built, is a virtue that we admire. They have now, as they had before, an opportunity to help lead a country of five million people, and to take a place of honour in its Government. This surely is preferable to being a neglected offshore annex of the island of Great Britain.

I am certain that ways can be found of reconciling even our most fundamental aspirations, and that by coming together we can create a prosperity which will elude us so long as we remain divided.

We seek to broaden the base of the society that is founded upon the Irish nation with equal treatment for all, in which there will be no domination or exploitation of particular groups, communities or regions. When we finally come together, we will enjoy the support and encouragement of friendly nations, who will gladly welcome the healing of our divisions.

Reconciliation needs the support of political structures. Aspirations and platitudes are not enough. It will only be through new political structures in a new political context that the reconciliation of the different Irish traditions will be achieved, without loss of

identity or abandonment of old loyalties, and in which all traditions will find their representation as of right. These new structures if they are wisely planned will enable us to banish discrimination, bias and confrontation from Ireland forever — an objective which surely merits our best endeavours and total commitment.

The Tánaiste (Mr. Dick Spring, T.D.):

I wish to begin by referring to thoughts expressed by James Connolly at the beginning of the century well before the formation of the Labour Party. In a well-known passage used by him on the title page of his pamphlet, *The New Evangel*, Connolly said:

Ireland without her people is nothing to me, and the man who is bubbling over with love and enthusiasm for 'Ireland', and can yet pass unmoved through the streets and witness all the wrong and suffering, the shame and degradation wrought upon the people of Ireland, aye, wrought by Irishmen upon Irish men and Irish women, without burning to end it, is, in my opinion, a fraud and a liar in his heart, no matter how he loves that combination of chemical elements which he is pleased to call 'Ireland'.

As Leader of the oldest political party in the Republic, I can draw from these words the magnitude of the challenge that still faces us on this island. They can make us recall the historical deficiencies of political evolution in Ireland, encourage us to examine whatever social and constitutional progress we have made, and stimulate us to identify the relationship, if any, between various formal political attitudes and the daily lives and aspirations of ordinary people. We are here today to start in a formal way and in a particular context, a process of taking stock, of analysing ourselves, of examining the real meaning of the political theories that our varying political traditions profess. It is up to ourselves, as politicians, to rise to the occasion, to realise fully the difficulties and the obstacles in the task before us, to temper our vision with realism and sanity while working towards the areas that can mark legitimate progress.

I have drawn attention to my belief that we should show due caution towards well accepted formal political beliefs. But for the opening record, I beg leave to refer briefly to some quotations from Section Three (entitled Unity of the Irish People) of the basic Labour Party Programme adopted in 1980. There it is stated:

The Labour Party seeks the voluntary union of all Irish people and territory. The achievement of the voluntary unity of all the people of Ireland clearly implies that the real and profound differences that exist at present must be removed by persuasion, dialogue and communication, and not by the bomb and the bullet.

And also:

In accordance with its philosophy as a socialist party, the Labour Party pledges itself to the elimination of all sectarian laws, constitutional provisions and practices, both in the North and South, which are a major factor in dividing the working class, and deplores all appeals to sectarian passions and violence.

We have all come, and hopefully others will come in due time to this Forum, conscious of our own political traditions. We cannot, and should not seek to escape artificially from these traditions. Rather our task is to see how they can be developed and made relevant to the task, in the light of past experience, of deepening and broadening democratic values on this island. It is not just simply a matter of seeking to barter or trade "concessions" — it is a question of how all traditions in this island can relate their philosophies to the needs of the future.

Broadly, I hope that the New Ireland Forum will work to create a programme for political development which will have cross-community support, and will unify Irish people in a tolerant and caring society.

We must recognise the legitimacy of all arguments that genuinely purport to be democratic. The Forum to achieve any significant programme must

- Look to the nature of the society that could evolve on an all-Ireland basis.
- Consider what we can do to help create the environment in which that society can develop.
- Consider what changes must be made in the Republic to increase the level of tolerance and understanding which are necessary to achieve political progress in an all-Ireland context.

In furtherance of these, the New Ireland Forum must develop into an exchange of views with the common objective of an accepted political development rather than a sterile repetition of two

political aspirations. Let us face now that this will be traumatic and revealing, but how we face it will be a test of our seriousness.

The politics of this island has been dominated for the last 60 years by the politics of Partition; not just by the reality of Partition but by our mentality which has involved politicians from all three interested areas, the Republic, Northern Ireland and Britain, treating the problems of this island in a Twenty-six County or a Six County context rather than viewing it from a Thirty-Two County perspective.

We should, in my view, examine the effects that British rule has had on Northern Ireland and be prepared to indicate the areas where the consequences of their rule have created major obstacles towards an integrated society in Northern Ireland. An honest appraisal of the effects of Irish rule in the Republic is also essential. In the context of the problems besetting the whole island, we must seek to clarify for ourselves the meaning of our inherited political values now in 1983.

Let me advance further with these thoughts. The 1937 Constitution made affirmations relevant to the political life of the whole island, but the thrust and meaning of many of its specific clauses were conceived as applying to a Twenty-six County State. For many years also the liberal and democratic content of the "unwritten" constitution of Britain was not, in fact, visible in Northern Ireland.

The British, who were responsible for the exercise of Government, chose to ignore widespread discrimination and injustice. We, in the Republic, often asserted strongly our aspirations and our concern, but by and large chose, like the British, to play the politics of Partition by leaving well enough alone.

However, now, any process involving a new Ireland will involve issues of constitutional change. Proposals may emerge that will be seen by some as radical, odd, and even dangerous to inherited political and religious traditions. What is seen by some as necessary or progressive will be seen as a mark of betrayal by others. There will not be a uniformity of response across the island as a whole to new propositions relating to Articles 2 and 3 of our Constitution, civil liberties, increased prohibitions on abortion, provisions relating to marriage breakdown and others, either emerging in the Forum or from other sources. The controversy surrounding current proposals for a constitutional amendment in the Republic is by no means an argument against interest groups

sponsoring constitutional change. It rather tells us that we, as politicians, have a lot to learn if we are to face successfully even more complex and controversial issues in a New Ireland Forum.

The reality of economic difficulties, both North and South, is a major priority that all traditions can address with common concern. The unemployment crisis is not confined to one part of the island or to one religious grouping. Issues relating to industrial strategy, energy planning, agricultural trade and the evolution of social policy represent major challenges throughout the island. Although, again, there will be divergences, both ideological and strategic, both between political parties North and South and within North and South, in my view the New Ireland Forum must address itself to the critical issues of economic and social policy.

Some progress was made at different times in the past, and there have been many good intentions. Political difficulties were often an obstacle, but also territorial priorities and the competitive dimension — for example, in seeking to attract foreign investment — have tended to push into the background any continuous thinking aimed at major schemes or programmes of collaborative action. Participation by Britain and the European Economic Community is, of course, of major importance in these areas.

Again, in relation to world affairs, there are clearly divergent views on the island on the issue of neutrality. We in the Labour Party believe strongly that neutrality should be a fundamental part of Irish national and international policy. This is not a preference for an isolationist Ireland, but for a positive philosophy for an active neutrality which implies a total commitment to peace, *détente* and disarmament, together with a programme of involvement in world affairs in which policy is determined independently in accordance with national needs and the merits of the individual case. Neutrality does not and must not imply indifference to the moral issues raised by the great political problems and challenges of the present time. I hope that my party's approach in this area will be seen positively, and as an important ingredient in the overall political evolution of Ireland.

Issues of Church/State relations will need to be analysed and discussed. Democratic society cannot prosper without widespread consent by the population at large to some basic values and institutions. Inside such a framework the proponents of radical change can compete with traditional or conservative forces. Very often, basic religious beliefs on the common view of Churches are key components of the basic consensus; at other times if the views

of one particular Church are seen to prevail in areas of major disagreement, serious difficulties will arise in building a common identity among the community in question.

Religious traditions are important on this island and the organised Churches take and are entitled to take strong views on major questions of public policy. It is desirable that such positions are open rather than secret, and are not perceived as the unseen vetoes of one religious tradition as against another.

It remains with the people and the politicians to adjudicate on the views of the Churches in the making of political choices. Notions of Church control or Church vetoes, real or imagined, should be removed in any overall vision of a new Ireland, and must be distinguished from the concept of free and open profession of religion and the public expression of the views of Churches.

In the New Ireland Forum we should not only solicit and encourage the views of Northern unionists and, of course, accommodate their eventual participation in the Forum if they were ever to wish for it, but must also endeavour to understand the background to those fears that are expressed by the unionist community. In fact, a process of constructive dialogue with a wide range of representative interest groups is essential. It is useful to recall, for example, that trade union organisation has for many years spanned both territorial and religious divides. The trade union movement has been many times a bulwark of responsibility and of calm collected reaction in times of high political passion. I hope that we will be enabled to draw widely on the expertise and experience of the trade unions in our deliberations.

I have chosen today not to focus on the role of Britain or the British people in any movement towards a New Ireland. It would, of course, be a critical and continuing one. Traditional nationalist and traditional unionist politics have failed. We must ask why they have both failed. I say that they have failed because they have never succeeded in accommodating each other in the structures they have proposed. The New Ireland Forum represents an alternative approach, which hopefully will recognise the fundamental differences but must strive to ensure that these differences do not act as obstacles either to reconciliation or political development.

The Forum affords us the opportunity to analyse and discuss the nature of society that we wish to see evolve on this island and challenges us in the Republic to face up to the reality that our

society, just as much as Northern Ireland, will have to change if we are serious in our aspiration of Irish unity. Are we prepared to make these changes? That is a fundamental question for this Forum.

Mr. John Hume, M.E.P.:

Tradition has it that the throne in this Castle was presented by William of Orange. This throne was the ultimate symbol of power and dominion in our island for the following two hundred years. Today, although carefully preserved, it is empty. For some in this island, it is a cherished symbol of a struggle honestly fought to defend, uphold and impose the principles of the Protestant tradition of liberty. For the majority in Ireland today, its importance lies in its emptiness: the empty throne symbolises the success of a long, bitter struggle to defend, uphold and impose the nationalist principle of liberty.

How can we reconcile the profound contradictions of Dublin Castle on this day? To the tradition gathered in this room, Dublin Castle spells our historic triumph: we finally reduced and took this bastion of oppression, this seat of an alien, arbitrary and cruel power. To unionists, it is a souvenir of an older and more congenial order, a Mecca now tragically appropriated by infidels, a fortress whose very loss to the enemy has for 60 unhappy years been the cause of uncertainty and the source of a harsh and seemingly necessary intransigence. Yet it is our declared task here today to reconcile these contradictions — somehow.

I suggest that we might begin by humbly admitting that no more difficult task ever confronted the Irish people. I suggest that we also understand very clearly why we are attempting it — not because it would be gratifying to succeed, not because it would be interesting to attempt, not because it would be to our political advantage — only because it would be dangerously irresponsible not to do this now. We are condemned to try and to succeed because each one of us, if we fail or if we shirk this challenge, will be condemned by this and future generations of Irish men, women and children as uncaring, unworthy and selfish politicians. Unworthy, not just of Ireland but of the human cause itself.

These are strong words perhaps, yet no words can sufficiently emphasise the danger for everyone on this island now of any further neglect of the North. No image can conjure up adequately

the dark consequences which will flow uncontrollably and overwhelmingly from inaction. You have seen on your television screens in recent times the efforts of Italian engineers to steer the course of Etna's volcanic lava away from the threatened villages of Italy. The North, Mr. Chairman, is a much vaster volcano whose brimstone we have up to now only superficially contained. Unless we in common — I stress "in common" — find the necessary commitment — the determination to move mountains — we will all be engulfed in a furious torrent of hatred, violence and despair, and we in the North know something of hatred, violence and despair. Everyone in this room knows this. I paint a black picture knowing that we have in the heart and the sinews of our heritage, the heritage of our own personal tradition, the courage and the generosity to accomplish our extremely difficult task.

Mr. Chairman, may I on behalf of the SDLP commit myself and my party now to the principle that we shall not place either the short-term or the long-term political interest of our party above the common goal? Let me, through you, ask the Taoiseach and the Tánaiste and the Leader of the Opposition to commit their parties with us to this exacting principle. There is no room, there is no time for opportunism or righteousness or, indeed, for what is normally understood as "politics". Only thus will those who doubt our good intentions — the unionists of the North — and those who for centuries have found the pretext for their inexcusable neglect of this island in our divisions — the British — take us seriously and start to take their own responsibilities seriously.

The common goal of which I speak is — and has to be — reconciliation, the reconciliation of the seemingly irreconcilable problems of this island. Let reconciliation start today in this room — between us.

Goodwill alone — and I know we have with us today the goodwill of the mass of the people of Ireland — will not suffice. We must apply all the resources of our collective intelligence, imagination, generosity and determination to this great enterprise and be seen to do so. We must mean business and the world must see that we desperately mean business.

Mr. Chairman, I believe that the very fact that we are gathered in this room — that the Taoiseach and the Tánaiste suspend for the purposes of this Forum their unique prerogatives to propose and to implement, that the Leader of the Opposition suspends his

natural role of critic of Government — I believe that the fact that my three colleagues have been prepared to make these unprecedented political sacrifices in a common effort is a tribute to their seriousness and their generosity and is an encouraging augury of success. The vast majority of the people of the North — those whose hopes are fervently with us today, and even those who now doubt our intentions — will not fail to see this occasion for the remarkable, indeed unique political event that it is.

There are a minority in Northern Ireland and a minority even in this State who furiously abhor the work of reconciliation. Theirs is the way of violence. Their message is hatred, their medium murder, their achievement division and destruction. This common effort of ours to understand, to build a new Ireland, to reconcile, is anathema to them. Why? Because they suspect and they fear that we might succeed. They can only prevail if our enterprise fails. They can achieve their stated aim of armed political domination in this land only if the forces of despair win out, only if the volcano of cruelty that they remorselessly stoke overwhelms us all. Eighty per cent of the people of the island are represented in this historic Forum today and their clarion message to the man and women of violence is: "Reconciliation yes, destruction no, democracy yes, your Fascism never."

The world is looking at this Forum today, but there are two particular audiences to whom we must address ourselves. The unionists of the North and the British people and Government. They must fully understand both the seriousness of our commitment and the nature of our effort.

This Forum is not a nationalist conspiracy, neither is it a nationalist revival mission. It is nothing less than a major effort — an effort unique in our history and I believe unexampled in divided societies anywhere in the world — to understand the encounter between our own ethos and the ethos of those who live with us on this island but who refuse to share it with us. This is no academic theoretical experiment but an honest effort to confront the real chilling circumstance of today's Ireland in the full context of the real relationship between Ireland and Britain today. This is the most serious effort that has ever been made by Irish political leaders to face reality and the unionists and the British are entitled — indeed they are invited — to judge our work by that measure, but they are not entitled to ignore it, as it would be seriously against their own interest to do so.

The heart of this crisis in Ireland is the conviction — the profound

and seemingly irreducible conviction — of the majority of Protestants in the North that their ethos simply would not survive in an Irish political settlement. This conviction, older than King Billy's throne, encrusted and gnarled with generations of embattled struggle, is rejected by the rest of us in Ireland equally convinced by our dark past that we could never impose dominance on others, we who have known better than most the misery and sterility of oppression. The British for their part remain, if not fully convinced by these fears of the unionists, at least not persuaded by our claims to the contrary. Hence the paralysis of politics, hence the stagnation and the conflict. There are many other important and complex dimensions to the Irish problem but there, to my mind, is its core — the belief by the Protestant tradition in this island that its ethos cannot survive in Irish political structures. This should remain the focal point of our deliberations in this Forum and the central target of those who wish to join with us in our important task.

The Protestant ethos I am talking about is not merely theological, although it contains principles such as freedom of conscience which are central to that theological heritage. It contains also and perhaps more importantly a strong expression of political allegiance to Britain which we cannot ignore and which we cannot wish away any more than unionists could wish away our deep commitment to Irish unity. This intractable difficulty we must face squarely in this Forum. It will not be easy for us to do so. How do we accommodate in a new definition of Irishness these uncomfortable realities? How would we propose to give to unionists an adequate sense of security — physical, religious, political, economic and cultural — in a new Ireland? Are we, the nationalists of Ireland, prepared to pay the painful political and economic price that this will involve? Do we have any idea of what that price will be? I fear that many of us either do not or would prefer not to. The work of this Forum will forever deprive us of the excuse of either ignorance or distraction.

Let the commitment and the seriousness and the nature of the New Ireland Forum be judged by our harshest critics precisely in terms of the capacity we demonstrate to face these painful questions in all their brutal reality and the measure of our readiness to take the consequences. It is, even at this moment, tragically clear that we have hitherto failed. We have hitherto failed because we have not attempted this task together, with the joint commitment that we now make to put this common goal above party and even above some of our most cherished assumptions. Our respect for the past

and for our heroes of the past has perhaps paralysed our attitude to the future, for in this room we may all have different heroes. The result has been division. Division inevitably breeds opportunism and failure. Meanwhile, the minority in the North continue to suffer and the majority to maintain their frightened intransigence, and the British feel they can afford to continue not taking any of us seriously. This Forum must put an end, once and for all, to all this hopelessness.

It can only do so by achieving consensus. Let no one underestimate the power and strength of democratic consensus in this Forum. Let no one doubt its impact on British and international opinion. The price that our different parties may have to pay for consensus will be minimal compared to the rewards for the Irish people of a common approach to our deepest and most intractable problem.

As for the unionists, it seems to be in their intelligent interest that we be confronted directly in this Forum by their objections to an Irish political arrangement for his island, without reservation or apology, in private or in public — as they wish — by members of that tradition. Let me say to unionists: “We commit ourselves to take you and your convictions with deep seriousness in our effort to understand the crisis that confronts us all. Our aim is neither conquest nor coercion, it is primarily to understand each other so that we can solve this crisis with your agreement and your support.” We seek a solution. We do not seek victory.

Mr. Chairman, there has been in the depressing and bewildering history of Anglo-Irish relations so much suffering, so much corruption, so much distortion, that all we can usefully do now is to start as it were from scratch. “Forget the past, but take the present and the future seriously”: that must be the message to come from this Forum to the British. We call on Britain to give their attention as fully as we now do to this awful tragedy and to learn with us and from us as we try honestly to devise a realistic and adequate solution.

In the last heartbreaking decade I have not personally felt that there was a more important opportunity than that which we now face. During those years, I have repeatedly longed for such a moment as this. Now that it has arrived I sense that we have come to a final crossroads. In one direction we see old Ireland, the old hopelessness, the old squalor, the endless bitter conflict so painfully described by Louis McNeice, that great honest voice of the North:

Why should I want to go back
To you, Ireland, my Ireland?
The blots on the page are so black
That they cannot be covered with shamrock.

I hate your grandiose airs,
Your sob-stuff, your laugh and your swagger,
Your assumption that everyone cares
Who is the king of your castle.

Castles are out of date,
The tide flows round the children's sandy fancy,
Put up what flag you like, it is too late
To save your soul with bunting.

Flag-waving will no longer do.

In the other direction beckons a more realistic hope and a more painful effort than I can recall. It seems that we must invert so many of the symbols, confound so many of the paradoxes, resist so many collective urges. I am reminded of the fact that the flag that flies over this castle, a castle that will today, I hope, cease to be out of date, the Tricolour of which we in this room are so proud, was, when it was launched as a symbol of Ireland by the Young Irelanders, the inverse of what it is today — it was then orange, white and green.

William Smith O'Brien said of it on the 29th April 1848:

I am proud to address you under such a banner as this which floats above me tonight, and I hail it as a happy omen that you have thus united those emblems which formerly were the insignia of faction in this country — the orange and green. Henceforth, that flag will be the Irish tricolour, as a sign that the Protestants of the North and the Catholics of the South will unite in demanding the rights of their country.

The white band of this flag, uniting the orange and green, symbolised peace, harmony and reconciliation. How is it that this flag has come today to be used as a party political symbol in the hands of a violent minority, and to be seen as such and as a symbol of terror by their unionist victims? Our purpose must be to invert this among many other blasphemous distortions. This flag belongs as much to the orange as to the green. It does not belong to those who viciously oppose what it stands for and whose real level of respect for it is epitomised by their painting of its colours on kerbstones and on gable walls. It is our great task and opportunity

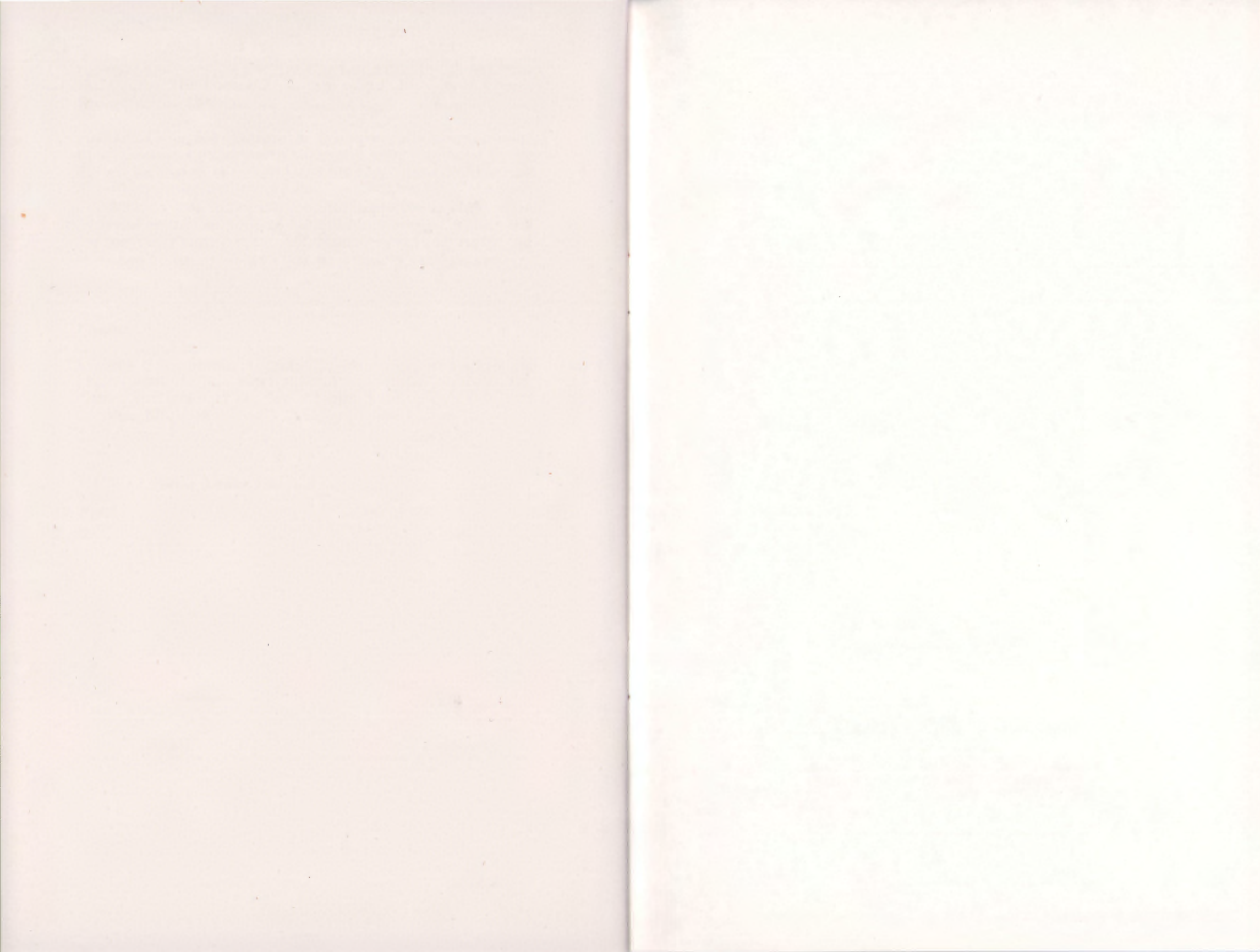
to make this symbol gain for the first time its full symbolic meaning of brotherhood in this island between Catholic, Protestant and Dissenter.

And as for King Billy's throne, let this Forum give a new meaning to its emptiness today nearly 300 years after the Battle of the Boyne. Let that throne stand today not for a nostalgic order now gone forever, not for its triumphant removal by the new order in this State: let that vacant seat continue unoccupied and become a powerful symbol to both of our traditions — that neither will conquer the other, but that both will be preserved and revered and cherished in the new Ireland that we set out to build today.

Chairman:

Ladies and Gentlemen, in concluding this opening session I should like to thank the four party political leaders, the Taoiseach, Dr. Garret FitzGerald, T.D., Mr. Charles J. Haughey, T.D., the Tánaiste, Mr. Dick Spring, T.D. and Mr. John Hume, SDLP, for their contributions. The public session is now concluded. Thank you.

3.45 p.m. *Public Session concluded.*



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No. 2

NEW IRELAND FORUM

Public Session

Wednesday, 21 September, 1983

Dublin Castle

REPORT OF PROCEEDINGS

Presentations by —

Sir Charles Carter
Professor Loudon Ryan

Questions from Members to Presenters

Chairman (Dr. Colm Ó Néill): It is my pleasant duty on behalf of the Members of the Forum to extend a warm welcome to Sir Charles Carter and to Professor Louder Ryan. Each will today present a paper and the procedure we intend to follow after that is that questions may be put to Sir Charles and to Professor Ryan by a spokesman on behalf of each of the four parties represented at the Forum: the Fianna Fáil Party, the Labour Party, the Progressive Democrats and the Social Democratic Party. I am sure that the Members of the Forum will be interested to hear from Mr. High Logan on behalf of the SDLP.

NEW IRELAND FORUM

In asking Sir Charles Carter to make his presentation I draw attention to the fact that a document has been placed in front of you which lists his many accomplishments. Members will note that among the honours which have been bestowed on him is the honorary doctorate of the National University of Ireland conferred in 1962. I would like to say in introducing Professor Carter as he was the first President of the National University of Ireland, that it was my privilege, as President of the University, to know him well when he was in Dublin. He has since been a wise and active influence in the economic and social affairs of this country both in his membership of official and unofficial bodies, in his lecturing and writing and in his unfailing willingness to put his knowledge and experience at the service of this State. We are pleased, Sir Charles, that you have agreed to follow in that tradition of 30 years' standing.

Public Session

Wednesday, 21 September, 1983

Dublin Castle

Sir Charles Carter: Members of the New Ireland Forum, ladies and gentlemen, I am not at all sure about why you think it is worthwhile listening to me this morning but I will do the best I can to say some things about issues relating to economics.

11 a.m.

The present economic illness of Northern Ireland is grave, but is no way surprising. The province has had a fertility rate over 50 per cent greater than that in England and Wales. The potential working population is therefore increasing fast. The ratio of dependants to potential workers is now falling. The safety valve of emigration works imperfectly when jobs are also hard to get in Britain and in other English-speaking countries. But agriculture and the older manufacturing industries need fewer workers; and though there was a period of marked success in attracting new industry in the sixties, that has meant that some foreign-based firms have reached a natural moment for renewing their equipment during the present world depression, and many of these have decided to withdraw, having milked the foil value from the special

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Chairman (Dr. Colm Ó hEocha): It is my pleasant duty on behalf of the Members of the Forum to extend a warm welcome to Sir Charles Carter and to Professor Louden Ryan. Each will today present a paper and the procedure we intend to follow after that is that questions may be put to Sir Charles and to Professor Ryan by a spokesman on behalf of each of the four parties represented at the Forum. These selected spokesmen are: Deputy Ray MacSharry for Fianna Fáil, Senator James Dooge for Fine Gael, Deputy Frank Prendergast on behalf of the Labour Party and Mr. Hugh Logue on behalf of the SDLP.

In asking Sir Charles Carter to make his presentation I draw attention to the fact that a document has been placed in front of you which lists his many accomplishments. Members will note that among the honours which have been bestowed on him is the honorary doctorate of the National University of Ireland conferred in 1968. I would recall that in introducing Professor Carter as he was then to the then Chancellor of the National University, Mr. Éamon de Valera, Dr. Donal McCarthy, who was President of UCC, said: "We in Ireland first came to know him well when he was in Belfast in the early fifties. He has since been a wise and active influence in the economic and social affairs of this country both in his membership of official and unofficial bodies, in his lecturing and writing and in his unfailing willingness to put his knowledge and experience at the service of this State." We are pleased, Sir Charles, that you have agreed to follow in that tradition of 30 years' standing.

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advantages offered to new enterprises. In the more difficult conditions of the seventies, Northern Ireland had a system for the attraction and development of enterprise which had far less marketing appeal than that in the South; and that deficiency was put right only in the worse circumstances of the present decade. But, even in the seventies, employment was growing much faster than in Great Britain, assisted by a catching-up process in the public services; and the trends of unemployment have remained in a quite normal historical relation to those in the United Kingdom as a whole.

You will note that in all this I have said nothing about the effects of the Troubles and of political uncertainty. These must of course have had an adverse influence, for instance by preventing the development of the tourist trade, and by providing some potential investors with an excuse for saying no. The curious colonial system of government under direct rule has not contributed to sound and decisive economic management. But it is in fact quite difficult to know what the net consequences have been. The media perception of trouble is much worse than the reality, and this has certainly led to an external loss of confidence in the Northern Ireland economy. But the Troubles have also caused additional public expenditure, which has its own multiplier effect; and quite possibly the fact of living in a situation of stress has improved productivity and has brought a greater sense of responsibility into industrial relations. All I am saying is that the Troubles have had an adverse effect but that one must not judge that solely by counting the obvious negatives without remembering that there may have been something positive arising from the additional expenditure which they produced.

A lot has been said about the great and increasing cost to the UK Exchequer of maintaining Northern Ireland, but this needs to be put in perspective. If a unitary State desires to maintain reasonably comparable levels of income and of social services throughout its territory, it is certain to be faced by substantial transfers to its more remote or otherwise economically disadvantaged regions. But these transfers will usually not be recorded; it is an accident of political history that we know the cost of transfers to Northern Ireland, but not those of transfers to Merseyside. Studies have shown that, until recently, almost all the extra public expenditure per head in Northern Ireland was either an inevitable consequence of maintaining parity of service, or had some special reason such as the different way of financing the electricity subsidy — this is a transfer within the Central Electricity Generating Board's accounts for Great Britain — or the higher law and order costs:

very little was left as a contribution to the capital costs of catching up in areas where the province's standards are still deficient. At present there is a genuine but small surplus for catching up, applied in particular to housing; but that might disappear again, and in general one could say that the heavy cost to the UK Exchequer is simply the cost of maintaining parity.

Leaving out of account, for the moment, any change in relationship to Britain or to the South, what are the prospects for Northern Ireland? The British economy is in a process of hesitant recovery, and is certainly in a better state of health than for some time: the Northern Ireland Economy would be expected — probably with a time-lag — to follow it. There are some hopeful factors in this recovery. There is a better appreciation of cost-effective methods of encouraging economic development and in particular of the contribution to be obtained from smaller locally-based firms. There is the beginning of an understanding of the importance of service employment, given that in all advanced countries manufacturing employment is likely to use a declining minority of the labour force. The sad story of the collapse of older industries, and of those founded in the sixties, has one bright feature: it cannot happen twice, and most of the loss has already occurred. The shipyard has gained a reprieve, by getting new orders, and it has plans which — if effectively carried through — will put it in a much stronger competitive situation for the future. The identification of large reserves of lignite, and the continuing possibility of oil and gas discoveries, of geothermal power and of tidal energy offer an opportunity to reduce or avoid the harmful effects of rises in world energy prices. The renewed emphasis on housing should lead to a significant revival in the construction industry. But, above all, the link with Britain ensures that rising incomes there are at least to a substantial degree associated with rising incomes in Northern Ireland, with a consequent growth in demand for local services and for locally-produced goods.

But there are more sombre facts to be faced. There is no way in which existing manufacturing industry can be expected to employ as many people in AD 2000 as are employed now, even if one makes optimistic assumptions about the growth of the UK and world economies and about the effect of shorter hours. Therefore, unless there is to be massive emigration, it is necessary to find from new manufacturing activity and from growth in non-manufacturing employment enough jobs to offset both the decline in existing manufacturing and the growth in the labour force. The contribution to this likely to be made by Government employment is small, because of budgetary constraints, though there are areas

of the health and personal social services which will probably still expand. The contribution of the natural growth in services, with rising incomes, will not be enough. If, therefore, one envisages anything approaching a satisfactory 'solution' of the employment problem by the year AD 2000 — say 5 per cent unemployment, and half the present level of emigration — it is necessary to make heroic assumptions about the rate of development of new private sector enterprise, producing either services or goods which can be exported or substituted for imports.

The prospects of attracting this enterprise from outside the province are a good deal worse than they were in the sixties, or even the seventies. Peripheral areas offering a good available labour force were competing, in earlier years, with central areas which had labour shortages. Now the central areas, too, have a labour surplus; and the main advantage which Northern Ireland can set against the disadvantages of geographical position and of limited natural resources is simply the greater size of the bribes on offer. But these bribes or inducements tend to be very expensive in terms of cost per job actually created, or, better, per job-year actually sustained, and they are of course on offer from a host of depressed locations around the globe. Furthermore, it is not certain how far they can be made effective in relation to service activities, where the capital investment, which is the easiest thing to subsidise, is less. If, of course, Northern Ireland workers were to accept a large cut in wages, this would be a powerful and easily publicised incentive for external enterprise to come in; but you will have no difficulty in seeing why any such development is unlikely.

It remains conceivable, however, that geographical disadvantages could be offset by labour and enterprise of superior quality. Here Northern Ireland certainly has some positive advantage to offer: an educational system which is better than that in Great Britain: a tradition of hard work and relative industrial peace: some of the modern skills in short supply, for instance in computer science. It has some quite interesting plans for the better development of management. These advantages will occasionally influence the incoming investor, but, more important, they could, if combined with enough managerial skill and entrepreneurial fire, lead to a successful growth of new businesses which have their roots in the province.

Policy in the United Kingdom has become much more favourable to the smaller business, and it is possible that, in the remarkable results achieved by the Local Enterprise Development Unit, we are seeing the beginnings of a new era of growth through locally based firms.

It would be highly optimistic, however, to suppose that this could be large enough, or anything like large enough, to provide all the jobs needed to achieve 'success' — as I have defined it — by AD 2000. I conclude that Northern Ireland will have a major unemployment problem, with expensive financial and social consequences, for many years to come.

You asked me to say something about the scope for greater co-operation between North and South. I am in favour of developing economic co-operation between North and South, and also between the Republic and Great Britain, in every way which can be shown to make sense. But I can offer you no new ideas, in this well-explored field, which would be likely to make a significant difference to the central problem of unemployment. Historically, the economy of the North followed a separate line of development and, therefore, the wounds which it received long ago from the sharp knife of Partition were not as serious as some propagandists have supposed. Within a common membership of the European Community, there are now no major obstacles to the development of non-agricultural trade apart from those offered by bureaucracy and by fluctuating exchange rates. Common sense suggests that most of the advantages of co-operation between two small countries would arise from the widening of markets made possible by free trade, and these advantages are, in principle, already available. If one looks at the voluminous literature on possible further types of co-operation — special studies of Derry and Donegal, of the Newry and Dundalk area, of the Erne catchment and of the Mourne herring fisheries; consideration of joint action in industrial promotion, tourism, energy, education, communications and many other fields — I am constrained to conclude that, though there are many good ideas which should be followed up, their effects on unemployment would be about equivalent to the product of nine bean rows on the Isle of Innisfree, when set against a requirement of new jobs in the North in the coming two decades which is of the order of 200,000. Indeed, I think that some of those who have urged co-operation have done so more with an eye to the promotion of general understanding and respect than to any expectation of large economic consequences. My main priority for further action — though it is one only available to be determined by wider circumstances — would be for the United Kingdom to join the European Monetary System, which would lessen the obstacles to trade caused by uncertainty about exchange rates.

It will be in your minds, however, that if one could look beyond co-operation within the present political framework to some

permanent settlement of 'the Irish question', there would be much greater benefits to be obtained by both North and South. The level of trade between the communities might increase; at present it appears to be surprisingly low, no doubt because of uncertainty, suspicion and lack of knowledge. Peace and political stability would make it easier to attract and to retain new investment. The use of resources, such as energy, could be planned for a wider area. Obstacles to sensible development which are caused by suspicion and lack of knowledge would wither away. The expatriate Irish could be encouraged to use their funds for purposes of peaceful development. Ireland, North and South, could become another Sweden, which, after all, is geographically a bit remote — though hopefully without the social diseases which afflict that wealthy country.

I here ask your indulgence for a brief political digression. I am in some difficulty about discussing this delightful scenario, because it is so often associated with the simple idea that the members of the Unionist community will recognise the advantages of voting themselves out of the United Kingdom and into an Irish State, whether unitary or federal. Despite the Queen's advice to Alice, on the matter of believing six impossible things before breakfast, I cannot find any conviction in that, in its simple form, as the path to a peaceful and prosperous future. I do not think that many Unionists would believe in the economic advantages, but, even if they did, I do not think that they would at this time be moved from their settled political conviction — greatly strengthened by the events of the past 14 years — by any economic advantage, however large. And if you suppose that the British Government would coerce them to make the change, you have failed to notice alterations in political thinking in London, which has become much more enamoured of principles and much less ready to sacrifice them in schemes for appeasement. You can hardly expect that the principle that the majority in the North should remain British if it wishes would be given any less priority than that which applied to 1,800 inhabitants of the Falkland Islands.

I have made this political digression because I want to make the point that the economic and political difficulties about any simple scheme of reunification reinforce each other. For, as your Secretariat's working document has shown, there remains a considerable difference in standards of living between North and South; and, whereas it was permissible in the seventies to suppose that the Republic's successful policies of economic development would remove or even reverse this disparity, the events of the last two years leave one with rather less confidence that this will be

achieved in the near future, even on the back of an oil boom. Standards and employment in the North are in part sustained by heavy Government expenditure. Essentially, the economy of the South has sustained itself in part recently by borrowing, the economy of the North has got the money automatically as a gift. It is sometimes supposed that the British Government would be so glad to see the backs of these turbulent Ulstermen that it would promise the continuation of massive transfers for a considerable time; and it would have to be a considerable time because certainly the economic benefits suggested for a new settlement would arise only gradually over a long period. That view betrays an ignorance of the process of drawing up a public expenditure programme, in a period when there will continue to be pressure to reduce the budget total.

The principle that no part of the United Kingdom should have services or standards greatly worse than the average is one which the Secretary of State and the Chancellor of the Exchequer can successfully defend. The alternative proposition that it is necessary, for reasons of past history, to make large transfers to another State which is not suffering Third World poverty would be vulnerable to the very first round of budgetary cuts. Indeed, no British Government is in a position to make long-run promises of aid; Parliament will defend its right to vote money for a year at a time. Neither would I put too much faith in long-run aid from the United States. It is for Congress, not the President, to find the money and the American budgetary problem is a very serious one indeed.

For that reason, because of the difficulty of financing the heavy transfers necessary to maintain existing standards, I doubt if the Republic is in a position to make any proposition for simple reunification economically convincing or attractive. Economic considerations point the same way as the judgment, as I see it, of political realities: this is a problem which has always had a British dimension as well as an Irish dimension and there is no solution which sacrifices one to the other. That may mean that your search for constitutional innovation has to be along novel paths, paths it would be impertinent for me to speculate about, but I would suggest you must search for a solution within the constraint that you must leave good ground for a continuing British economic responsibility for the welfare of those who are and wish to remain British subjects. Otherwise, you will simply propose the turning of a grave economic problem into an almost insoluble one.

Chairman: Thank you. The next contribution is from Professor Loudon Ryan, who hardly needs any introduction. There is an

outline of his career in the document before you. Coincidentally, Dr. Ryan was conferred with an Honorary Doctorate by the present Chancellor of the National University, Dr. T. K. Whitaker, to whom he was also introduced by Dr. Donal McCarthy, President of U C C. Now I shall just quote one sentence from the address: "He is an Ulsterman who is a true Irishman in his outlook and who has in a real sense devoted his skills and his work to the benefit of the Irish people."

Professor Loudon Ryan: Ladies and gentlemen, your Chairman asked me to give my views on two matters: first, the future prospects of the economy and, secondly, in areas in which there might be scope for greater economic co-operation between North and South. Before doing so I should like briefly to analyse some characteristics of the two economies, North and South. In making comparisons I shall use the statistical information in the working document prepared by your Secretariat.

As illustrated by the usual indicators, the similarities between the two economies are striking:

- (i) Population: in both economies the potential working population is increasing much faster here than in Britain and the continental EEC countries. It is increasing faster because of higher fertility rates. Both North and South face employment-creation problems of much the same relative magnitude, if very high unemployment and/or heavy emigration are to be avoided.
- (ii) Employment and unemployment. In both economies the unemployment rate is now around 20 per cent of the insured population. The rise in the unemployment rate has occurred for much the same reasons, though their relative importance may have been different North and South: cyclical (the world recession), structural (the decline in existing industries), loss of competitiveness and increases in the working population.

Sectoral employment. The distribution of the employed labour force among the broad categories of economic activity in the two economies has been converging over the past 20 years. In both areas the percentage employed in industry is now about the same, somewhere around 30 per cent. The South now has more "sunrise" industries — as had the North in the latter sixties. This gives comfort only to the extent that we know how long it takes for industrial suns to set. In both economies, a significant increase in the output of tradeable goods and services would be required to achieve a sustainable balance of payments position at a low rate of unemployment.

- (iii) Productivity. As measured by the value of output per person employed, productivity appears to be about the same in industry in the two economies, somewhat higher in agriculture in the South and higher in services in the North. The higher figure for productivity in the services sector in the North is probably explained by the greater relative importance of Government services there. In both economies, however, productivity in all sectors is much lower than in Britain or in the other EEC countries (excluding Greece). Productivity, or output per head, is an approximate measure of the standard of living the inhabitants of a country earn by their own efforts through economic activity. By this measure the differences between North and South are very small compared with the differences between both of them and Britain and the continental EEC members.

- (iv) Public finances. The current deficit, as measured by the grant-in-aid to meet the difference between current expenditure and revenue of the Northern Exchequer, was over 18 per cent of gross domestic product in 1981/82. About the same time the current budget deficit in the South was around 8.5 per cent of GDP. The net deficit on both current and capital accounts in the North was around 25 per cent of GDP in 1981/82. In the South it was less than 20 per cent of GDP. While there are difficulties in identifying the Northern deficits which are comparable to those measured in the South, there can be little doubt that the Northern deficits are in relative terms a great deal higher.

- (v) The balance of payments. There are no statistics of the Northern balance of payments on current account. However, the other indicators would suggest that the deficits are higher there, in relative terms, than in the South. The lack of competitiveness of the North relative to Britain — as measured by the relationship between pay and productivity — would support this view.

I will not try to lengthen this list of economic indicators. I have listed enough to support my main point, namely, the striking similarities between the economic situation in the two parts of the island.

Despite these similarities, there are wide differences between the agenda for economic comment and debate in the two economies.

In the North, the agenda is a short one. It seems seldom to extend beyond unemployment, job creation and job losses and occasionally population growth — though this last is often raised in an unconstructive context. In the South, the agenda is a longer one: unemployment, jobs, productivity, the public finances, the balance of payments, the evolution of incomes, inflation and competitiveness.

These differences are only partly explained by the lack of statistics relating to the Northern economy. Another reason for the differences is that some things which are problems in the South are not problems, or are not seen as problems, in the North. For example, fiscal deficits are met by transfers from the UK Exchequer. These transfers are in effect non-repayable interest-free loans. In the South, fiscal deficits have to be financed by borrowing, which bears interest and has to be repaid. In the North, to take another example, a current balance of payments deficit is not seen as a problem. But it is, or can be. If official and private capital inflows into the North are less than the current external deficit, there will be a capital outflow from the North, and the effects on employment and living standards there will be of much the same kind as would occur in similar circumstances in the South.

However, the main reason why the agenda for economic comment and debate is longer in the South is that the Republic is an independent State. Despite EEC commitments, the Republic has discretion to use almost all the instruments of economic policy: fiscal, monetary, incomes and exchange rate policies and a wide range of "supply-side" policies. These policies can be tailored to fit the problems of the Southern economy. The fact that they may not all be used, or not used to best effect, is a separate issue. I am here concerned with the potential control that goes with independence — not with the extent to which that potential is, or has been, used or realised.

In the North, policies are determined primarily by reference to what is deemed right for the whole UK. This is true for fiscal, monetary, incomes and exchange rate policies. The policies chosen are not necessarily — indeed, they are not likely to be — those that best suit the needs of a peripheral region. There may be occasional exceptions. For example, the North is fortunate in having the degree of income restraint that is now occurring in Britain, while avoiding all the problems associated with achieving it. However, if we could notionally identify a Northern pound, that pound suffers an exchange rate relative to sterling and most other major

currencies that clearly overvalues it by reference to Northern economic conditions.

In the UK, regions are helped mainly by what are nowadays called supply-side policies. These are primarily directed to reducing the costs of job creation, and are usually supplemented by higher *per capita* levels of public investment. The policies that would be appropriate for the North are in my view those that would also be appropriate for the South, given the marked similarity between the two Irish economies.

Finally, before turning to prospects for the South, I would like to refer briefly to similarities in the adjustment process facing the two economies. For example, in the UK and in the Republic fiscal policies are likely to be restrictive for at least the next few years — in the UK perhaps to an extent for doctrinaire reasons, in the Republic by necessity. In both Irish economies, a reduction in the fiscal deficits will be deflationary. The real consequences will be the same North and South and will not be materially affected by their different political status. I have already mentioned that both North and South will adjust in similar ways to a basic balance of payments problem. The only difference is that the South will know why the adjustment is occurring.

As far as prospects for the South are concerned, I accept most of the assumptions that Sir Charles Carter has made in assessing the prospects for the North. They are equally applicable to the South. The main assumptions are as follows:

- (i) The prospects will be brighter the stronger the recovery in world trade and output.
- (ii) Employment in many existing manufacturing industries is likely to decline, as a result of rising productivity and competition from developing countries. New jobs will have to be sought in new industries and services whose output can be exported or whose output will replace imports. The new firms may be indigenous or foreign, small or large.
- (iii) It will be more difficult to attract foreign industrial investment, because unemployed labour and spare capacity will be available for some time in the more advanced economies, and competition for foreign investment will be more acute.
- (iv) In the years immediately ahead, few, if any, additional jobs will be created in the public sector because of budgetary restraints. Any expansion in education and personal social services will have to be offset by reductions elsewhere.

- (v) Like the North, the South has a very valuable potential economic resource in its people. The extent to which this potential is realised in sustainable new employment will depend on people's skills, their capacity to work effectively, their willingness to facilitate uninterrupted production, and their ability to manage, innovate, adapt and take the risks associated with economic development.

By themselves, these assumptions as I have stated them do not tell so much about the prospects. Take the first: both the North and the South are small and open economies. But the same is true for all countries, with three or four exceptions. Despite the dependence on international trade, some countries and regions do well — some very well — even in a world recession, while others fare badly. The differences in economic performance cannot be explained by the fact that they are open economies that have to trade with others. The differences cannot even be explained by their differing degrees of openness. The differences depend in large measure on the public policies that are applied. Whatever happens to world trade and output, we will fare better with the right policies than with the wrong ones. As an independent State, we have a wide discretion in deciding what kind of policies to apply and in choosing how to mix and combine them in a strategy for development. If the world economic recovery is slow and halting, that means that the economic environment within the South will have to be made that much more favourable to enterprise and wealth-creation, and the required improvement in the competitiveness of Irish products relative to those produced elsewhere will be that much greater.

Take the second and third assumptions, those relating to employment and job creation. It is indeed likely that employment in the longer established industrial firms will decline and that it could be more difficult to attract foreign investment. But what is crucial is the rate at which employment declines and the relative attractiveness of the South to foreign investors. These also are matters which can be influenced by Government policies. The decline in employment will be faster and the South will become less attractive if fiscal and monetary policies create an inflationary climate, if incomes policy is weak, if the nationalised industries and other State agencies charge uncompetitive prices for their services to Irish industry, and if continuing improvements in competitiveness are not made a primary objective.

Take the fourth, the fact of restrictive budgetary policies during the next three to four years. By themselves, these policies will be

deflationary — they will reduce domestic demand. However, that does not mean that the economy must remain depressed. The fall in domestic demand must be more than offset by an increase in external demand. We cannot create external demand, but by the right mix of policies we can increase our share of what is there. The fact that developments in other countries lie completely outside the control of any agency within this country cannot alter the fact that the South is responsible for ensuring the competitiveness of what it produces.

Take the fifth, people are the major potential resource in both the Irish economies. Again, the skills that they will acquire and develop, the orderliness of relations in the workplace, the willingness to take risks and adapt to changing circumstances, the effectiveness with which they work and the achievement of a relationship between pay and productivity that will ensure competitiveness, are all matters which can be influenced by Government policies, and independence gives the power to choose the policies that will ensure that the full human potential is realised.

In short, the prospects for the economy of the South are ultimately what we make them. Prospects can be made better by the right policies. And the Government in the Republic are under no significant external constraint when it comes to choosing the policies that will improve prospects and in applying them effectively. The policies can be formulated to suit our needs. I draw no distinction between short, medium and long-term policies, because it is not useful, and it could indeed be dangerous, to do so. There are only decisions which have to be made today, and made within the framework of a coherent strategy. Some of these decisions will improve tomorrow, some will not make their full effects felt until next year or the year after, and some will take even longer to affect the reality.

Like Sir Charles Carter, I have no new ideas to offer in the well-explored field of North-South co-operation. I have no doubt about the value of these co-operative endeavours. The formal barriers to trade between North and South have been largely removed by EEC membership. But the removal of the barriers does not mean that the opportunities thus created for more trade will be quickly and fully exploited, especially by governmental agencies. Co-operation in areas like tourism and trade in energy and information are therefore important. These are exercises in trade creation. I am less happy about exercises in trade diversion. Whether diverting retail trade in drink and petrol from South to

North makes sense is doubtful, but one's view may be influenced by whether one is in Newry or Dundalk when making the judgment.

Co-operation in exploiting resources located on both sides of the boundary between the two economies, such as the Mourne Herring Fisheries, is also to be welcomed. Co-operation in all these areas will create new jobs and new wealth, but nothing like what is required to make any significant impact on the major problems of unemployment. Its main effect will be to promote better understanding through a larger number and wider range of personal contacts. That in itself is vitally important, even if its economic consequences are relatively small.

Chairman: Our two speakers have kindly agreed to answer questions and, as I stated at the beginning, the arrangement agreed by the membership of the Forum is that each of the four party groups represented will channel their questions through their respective spokesmen. I call on Deputy MacSharry.

Deputy MacSharry: I should like to ask Sir Charles if he agrees that the present political structure is a cause of violence and that the enormous security costs lead to lack of investment?

Sir Charles Carter: In regard to the two Governments and a satisfactory permanent solution, I think it would be an over-simplification to regard the political structure as being the cause of violence and lack of investment. History is the cause of that and it is mirrored in the political structures.

Deputy MacSharry: Would you agree that there are enormous security costs involved and that that is a cause of lack of investment?

Sir Charles Carter: Yes.

Deputy MacSharry: Would you agree that the security costs could be used for investment of various kinds and that that would have a big impact on employment?

Sir Charles Carter: The removal of the security problem in general would lend attractiveness to investors, whether indigenous or external, rather than any diversion of funds. In practical terms, I do not know if the funds would be available to be diverted, but certainly an end of the security problems would be of great benefit to both parts of Ireland.

Deputy MacSharry: Can you give an assessment of the numbers employed in the public service in Northern Ireland relative to other economies and say whether there are more employed there than in the industrial sector?

Sir Charles Carter: Yes, Professor Ryan quoted a figure of about 37 per cent as against 20 per cent. This is the consequence partly of the very rapid growth in public services at a time when other things were on the whole contracted. Of course, the reproduction in Northern Ireland of the public services of an essentially more wealthy state produces a high rate of employment in the public sector.

Deputy MacSharry: Would you agree that sector development would be greater and more beneficial on an all-Ireland basis?

Sir Charles Carter: Will the Deputy define what is meant here? Is the Deputy thinking in terms of a particular sector, for instance, electronics?

Deputy MacSharry: I am thinking of all sectors, even the agricultural sector *vis-à-vis* the EEC.

Sir Charles Carter: Agricultural development is essentially the development of a large number of small producers within the framework set out by the CAP and although certain distortions would be removed if there was an all-Ireland policy, this would make little difference to the prosperity of the industry which is determined by the CAP. As far as other sectors are concerned, I as an economist find it difficult to believe that the advantages would be much greater than those already attainable as a consequence of free trade. The only exceptions are in the fields which are the subject not so much of private industrial choice as of State planning. It would, for instance, have been to the advantage of both parts of Ireland to have been able to plan the development of their electricity industry together. The North has a surplus of generating capacity and it is actually too small an area to plan anything like electricity by itself. In those fields which are subject to central planning there is likely to be economy from bringing the two parts of Ireland together.

Deputy MacSharry: Would you agree that the best overall economic approach would be an integrated economy in a united Ireland initially supported by Britain, the EEC and the USA?

Sir Charles Carter: I have made it clear that I regard that as being an unlikely line. I regard the line of development which one would want to see for the future as being a much greater degree of integration of the economies of Europe. The simple unification of Ireland involving separation of Northern Ireland from the United Kingdom would not have unequivocally good effects because I do not believe that the British Government would in practice be willing to provide the support for this.

Deputy MacSharry: I also mentioned the possible support from the EEC and the USA.

Sir Charles Carter: I have been warned by a US Congressman not to take too much notice of what Presidents say about support that might be coming from the USA. The American budgetary problem is perhaps the most serious in the world. They have an enormous budgetary problem over a long period due to commitments into which they have entered. The Deputy knows the budgetary problems of the EEC. I would not rely on any of these as being a source of finance.

Deputy MacSharry: You suggested that there would be difficulty in maintaining the British transfer. There are many instances where international contributions are pledged for years ahead, in the UN, the World Bank or whatever.

Sir Charles Carter: Those are contributions as a consequence of a contract of membership. This would be a contribution as a consequence of past history. I do not believe for a moment that this is a viable ground for arguing in a budgetary context.

Deputy MacSharry: What is the best initiative in economic terms that could be taken to convince the Unionists that their economic future lies within the island of Ireland?

Sir Charles Carter: No such initiative could be taken at present. If in ten years' time the prosperity of the Irish Republic has plainly overtaken that of Great Britain and if the present problems of foreign debt have been overcome, then you might begin to be able to talk about economic issues from a position of strength. My case is that that would not be enough. The economic issue is very far from being essential to the problem which you are facing.

Deputy MacSharry: I have some questions for Professor Ryan but I understand that Professor Carter has to hurry away, so I will give an opportunity to other members to ask questions of him and

perhaps I could come back later to ask questions of Professor Ryan.

Chairman: I should have explained that Sir Charles Carter has to catch a flight to London as he has other engagements after lunch. It was agreed that in the early part of our question and answer session questions would be addressed to him. Senator Dooge is the next questioner.

Senator Dooge: You mentioned unemployment as the main economic problem in Northern Ireland and external investment as a major factor in meeting that problem. In regard to investment in Northern Ireland which has seriously declined in the last ten years, how would you proportion the explanation of this between the question of violence and the method of administration?

Sir Charles Carter: In the mid-seventies the problem lay partly in the image of Ireland associated with the image of political uncertainty. At that time the fact that there was the alternative of investment in the South which had a far superior system of support for external investment was really a very powerful influence. There were some substantial new investments even then but at that time violence plus comparisons with other countries were decisive. Starting with the commencement of the present depression I would regard by far the most important influence as being the depression itself, that is to say the unwillingness of people to move anywhere and certainly their unwillingness to be attracted to move to areas about which they could find any question mark in terms of political uncertainty or anything else, when labour is available in central and well-known industrial areas.

Senator Dooge: But in your address you talked of the fact that the present system did not "contribute to sound and decisive economic management". Would you not agree that this has been a substantial factor, not merely in the past decade, but before then?

Sir Charles Carter: I do not think that I should like to make judgments about before then but the record in the sixties was really quite good. If we had continued our economic development as successfully as we did in the sixties we might be very much less worried today. As a by-product of the Troubles there was a change in the system of government. In some ways the system of direct rule works quite well. It is not very controversial and is fairly widely accepted; but, first, it looks as though it is not going to last because one cannot imagine a State continuing to be governed

forever in this way. Secondly, it involves decisions being made by a visiting group of British Ministers with varying amounts of understanding of the problem and who are probably not going to be there for very long anyway. Despite the fact that there has been much very dedicated work by the Government under direct rule, it has not had the commitment, the continuity or the certainty of purpose which the size of the problems has required. That is what I meant by the lack of sound management.

Senator Dooge: You did mention that it was only recently that there was an improvement in regard to the marketing of Northern Ireland as an area for investment. This extremely recent development came far later than was the case in the South where we did have control of our own policy and policy instruments.

Sir Charles Carter: This came far later than it should. It took a long time to persuade the Government that change was necessary, but at least they saw light in the end and the light they saw was brought about very much by looking at what you did down here.

Senator Dooge: Turning from industry to agriculture, you seemed in reply to Deputy MacSharry to dismiss the special problems of Northern Ireland agriculture.

Sir Charles Carter: I do not wish to make too much of the problems of Northern Ireland agriculture. The situation varies very much from period to period and agriculture is doing very much better now than was the case two or three years ago. It is influenced mainly by the Common Agricultural Policy together with the particular way in which the British Government react to that policy. Certainly, there would be some advantages to Northern Ireland if a specific agricultural policy could be determined rather than one on a UK basis but I do not regard the prospects of a major change in the economy to that extent as being very large or very important.

Senator Dooge: Who would you say speaks in Brussels for the Ulster farmer? Would you say he is represented by the UK or by this country?

Sir Charles Carter: The official answer to that would be that the UK representative is very well briefed about the special problems of Northern Ireland. This is a perfectly real problem.

Senator Dooge: So you are accepting that, whatever about formal position, informally the case for the Ulster farmer is made substantially by the representative from here?

Sir Charles Carter: Yes, or alternatively not made at all.

Senator Dooge: I can assure you similarities are such that it is made by the representative from here. You talked of the cost of violence and I do not wish to let pass some of what you have to say in that regard. You talked of the additional public expenditure resulting from the violence having had its own multiplier effect. Leaving aside the question that economically this might be used as an argument that one should have violence or have a war on one's territory for the purpose of the multiplier effect, surely the effect is small, and the multiplier is not substantial.

Sir Charles Carter: The extra law and order expenditure is fairly substantial. It is difficult to tell how much is spent in this way within Northern Ireland but it cannot be negligible. I am not for a moment arguing that this is a desirable factor from the economic point of view but it happens to be true that military activity generally has a stimulating effect on an economy.

Senator Dooge: Would you be prepared to make a shot at what is the multiplier?

Sir Charles Carter: I will not attempt that.

Senator Dooge: Even to a decade?

Sir Charles Carter: The point I wish to make is that there are some positive effects of the extra expenditure produced which is not just Government expenditure but extra expenditure on security by firms and so on and that we should not forget that in adding up the negative effects.

Senator Dooge: You said also that you thought the fact of living in a situation of stress brought about improved productivity. Is there any evidence for that?

Sir Charles Carter: By its nature it is very difficult to conceive how one can get evidence of this but it is a judgment that is made by a number of business people with interests in various areas that there is, so to speak, a seriousness of purpose which they contrast favourably with what they find sometimes in Great Britain. Where there is a fairly desperate position in terms of unemployment and lower incomes and the worries that that situation brings about; there may be some effect in terms of seriousness of purpose.

Senator Dooge: Do you think that outweighs completely the fact that the most notable political strike that has occurred in Europe in the past decade occurred in Northern Ireland?

Sir Charles Carter: If you look for the effects of all this on the economy in terms of the people in the workplace the effects are surprisingly small. Work goes on very regularly and with remarkably little interruption.

Senator Dooge: Again you are stating that there may be factors to be taken into account here. Surely these are far smaller than the adverse effects you mentioned already in relation to the attractiveness of the region to industry, where the North relative to the South has been completely outstripped in the past decade — to the extent of 200 per cent in terms of relative change? Do you really feel that the amount of money spent by troops in Northern Ireland, less what is remitted home to their families in the United Kingdom, more than counter-balances the loss of tourism?

Sir Charles Carter: I would have thought it might be equivalent to the loss of tourism because the tourist trade was never enormous. As to how much else it offsets I do not know. Obviously this is a serious economic disadvantage, but it is a mistake to assume that it is the major influence. The major influence even in the late seventies was the inefficiency of the methods used for attracting new development and the inadequacy of the incentives given relative to the incentives being offered here.

Senator Dooge: You talked a good deal about the subvention. Are there not a number of factors in this subvention to be taken into account because of the particular nature of Northern Ireland? For example, on the capital side there is the question of the savings in Northern Ireland. Surely part of what is coming back as capital subvention are savings that would be available as domestic savings under another arrangement?

Sir Charles Carter: Yes, but, of course, we do not know very much about what happens with savings. Indeed, all capital movements within a State are extremely difficult to trace. This is one of those areas which is necessarily rather mysterious.

Senator Dooge: Economists sometimes go into mysterious areas. Do you think economists could make an effort in this connection?

Sir Charles Carter: Not effectively. The facts are not available.

Senator Dooge: You mentioned, in regard to the subvention, that if there was a change in the constitutional status from the present position to that of a unified Irish State it was unlikely that the British subvention would be continued. I take it you think the

same thing would apply if there were to be a change to an independent Northern Ireland?

Sir Charles Carter: Yes, I think this is the great weakness of any ideas of an independent Northern Ireland.

Senator Dooge: If there were, on the other hand, a solution which involved a recognition in some unspecified form of the British dimension of the Irish problem would you be as positive in regard to the possibility of a subvention being continued?

Sir Charles Carter: Indeed. This is what I was trying to say. I think it is just as important to recognise the British dimension of the problem here as it was to recognise the Irish dimension when talking about it in London. Provided anything can be found which deals with both these issues, one begins to see the possibility that the budgetary responsibility of the United Kingdom might be sustained or largely sustained.

Senator Dooge: You seem to be viewing the attitude of the British Government to the subvention as something that would be decided after a new accommodation had been made. Do you not appreciate that in reaching a new accommodation the question of a subvention tapered over a period of years could well be a significant factor?

Sir Charles Carter: Yes, I am suggesting that in dealing with the present political realities in Britain it would be unlikely that you would get a satisfactory commitment over a period of years in advance. There has to be a reason for the obligation, in other words, and I think it is an illusion to suppose that the desire to remove a number of people who want to be British subjects from the United Kingdom would be an acceptable reason for their doing this.

Senator Dooge: Are you seriously suggesting that subventions — and there is not only a subvention to Northern Ireland, there are other subventions — are, in fact, dependent on an annual vote and that if there were an obligation entered into that it would be subject to veto year by year by parliament? I mean in fact, not what the textbook says.

Sir Charles Carter: It is subject to review year by year and the point is that at the moment you have the doctrine of parity which can be applied to all parts of the United Kingdom with, of course, the heavy subsidisation of the Scots and Welsh by the South of

England essentially. Once you remove that argument and start arguing on quite different grounds the prospects of continued success are much less.

Senator Dooge: In regard to the question of North-South co-operation, were you not taking a rather short-term view in regard to marginal effects of increased co-operation? Does the evidence of the last ten years not indicate that with stability, with a peaceful solution, not only would there be increased trade between North and South but there would also be increased attraction for industry North and South?

Sir Charles Carter: I am not sure that I can argue this. My difficulty is in seeing the measures which one would take to increase co-operation. I would fully accept that the amount of trade between North and South is surprisingly small and is smaller than it should be, but I do not think that what is preventing its existence is a lack of schemes of co-operation. It is really a lack of knowledge and understanding and that could be built up in many ways but it is not dependent on specific schemes of co-operation apart from the public planning area which I mentioned earlier.

Senator Dooge: But if we are talking in the context of the year 2000 — and this was the year you mentioned in regard to the key problem of unemployment — ignoring the present situation would you not see substantial advantages in the planning of energy supply for the year 2000?

Sir Charles Carter: Yes, that is an advantage. I do not think it would make an enormous difference to economic prospects but it would make some and is, therefore, worth doing.

Senator Dooge: You mention that we might reach a united economy North and South. You made the comment that you hoped this would not lead us into some of the social ills of Sweden. Should we not rather look at the real co-operation among the Nordic countries rather than the social problems? We have something to learn from these northern countries which can co-operate successfully as separate States.

Sir Charles Carter: There is a real point there and it would be a very interesting area for one to explore.

Senator Dooge: Finally, you were rather dismissive of the “nine bean rows” as not being worthwhile. Would you not agree the poet goes on to say that he finds something else in Innisfree besides just

“nine bean rows”? — “And I shall find some peace there — for peace comes dropping slow”. Would you not agree the economic factors in which you are expert are not the major ones when it comes to a matter like peace?

Sir Charles Carter: Yes. I think both Professor Ryan and I have referred to the value of all these efforts at co-operation as a means of promoting general understanding and respect. That I regard as very important. All I am saying is: do we leave the central problem still unresolved?

Chairman: Thank you, Senator Dooge. I call on Deputy Prendergast, on behalf of the Labour Party.

Deputy Prendergast: You made one very valuable comment when you reminded us that had the present Troubles in the North not taken place there would still be economic problems. Would you expand on that?

Sir Charles Carter: I have always been impressed by the degree of continuity of these problems. They go back quite a long way into the past. For the whole of the period since 1945 there has been the problem of a declining industrial base, a decline first of all in the linen industry, then shipbuilding and a decline in the numbers employed in other industries throughout the province. There was a release of labour from agriculture. It was accompanied by a fairly rapid increase in the potential working population. As against that, the various efforts at new developments have fluctuated and were not always fully adequate. The considerable success achieved in the sixties in attracting new enterprises were nothing like enough. Basically, what we are seeing is the enhanced consequence in a period of depression of problems which have been with us for a very long time and are very stubborn.

Deputy Prendergast: Is it not obvious then that the only real difference between the economy of the North and that of the South is in the area of industrial development rather than agricultural development, because agriculture in both areas is very similar? You said that violence is an indication of a form of hidden exports. Assuming there is violence, are we not then in the situation in which, coming down to the lowest common denominator, the North would not have a worthwhile industrial base because of the effect of violence — I am speaking now purely in a monetary sense — and would it not, therefore, behove Britain to do something effective about that since the money she is now paying for security, which is the biggest and fastest growing industry both North and

South, would not be available then and does it not behove her, therefore, to do something positive on a long-term basis? You seem to decry the idea that that might happen.

Sir Charles Carter: No. All I am saying is that all that would take place is a transfer to a separate unified Irish State, which I doubt as a long-term prospect, and I would hold as closely as possible to the established doctrine. It is always important to get it established: the duty of the Government of the United Kingdom is a duty which is the same for all its citizens and, therefore, a major problem of unemployment, whether it be in Strabane, or in part of Scotland, or in Newcastle or anywhere else must be a matter of concern. It must be a matter about which the Government should be concerned to take remedial action. It is in that context one would like to see even more being done on the present levels of help to Northern Ireland which are just about enough to maintain parity in the social sense but not enough to create a marked economic change. One would like to see even more being done. However, having said that, one has to admit there are difficulties in the ideology of the present Government. Certainly, I would want to go on arguing they have a duty which is only partly fulfilled.

Deputy Prendergast: Does not the obligation of Britain become heavier if, for instance, the violence stopped in the morning? In that eventuality Northern Ireland would lose out on two fronts, a vastly diminished industrial base and no hidden exports and, therefore, the position of Northern Ireland visibly becomes worse compared with that of the United Kingdom and ourselves. I was not thinking in the context of a unified State, certainly not in the foreseeable future, but surely in the political and economic sense Britain should make a more long-term contribution from the point of view of a long-term investment policy. I spent the last two days in Brussels drawing up a policy for small industries. There are 11,000,000 small enterprises in Europe employing 30,000,000 people, which represent two-thirds of the employable population. If the North has not been successful in attracting industries would it not be a good thing to evolve some kind of joint policy with the Irish Government to stimulate development and training and education along these lines?

Sir Charles Carter: I agree very much with you. There are areas which would benefit all of us in all parts of the islands from the point of view of a planned economy.

Deputy Prendergast: You appeared to be somewhat negative about the idea that they would make this contribution. I take the

point you are making. We have to remember the promises that are made at certain times, coming up to elections, and so on, but I have no doubt about the goodwill of people in both America and Europe. Would you not envisage at least some type of Marshall Aid programme to help the situation?

Sir Charles Carter: All I am being doubtful about is the likelihood of replacing the present automatic contribution from the rest of the United Kingdom in the context of a unitary Irish State. There are other solutions, perhaps, which do not involve so clear a break in the relation of Britain to Northern Ireland where you can conceive of maintaining the argument for a continuance or increase of the present subventions. I think there is some possibility of getting investment help from elsewhere in the context of a general solution of one of the world's more scandalous political problems, if I may put it that way, but, of course, as Ministers are very fond of reminding us at the present time, there are problems here which are not actually going to be disposed of very easily by throwing money at them. It is not actually awfully easy to get down from the generality that it would be nice to have more investment to the question of what sort of investment is one talking about and who is going to buy the product, and I would, therefore, put right at the head of the list not so much money as the quality and ingenuity of thought that goes into good ways of spending it.

Chairman: Mr. Hugh Logue, spokesman for the SDLP.

Mr. Hugh Logue: Sir Charles, no foreign investment worth talking about; no adequate supply of indigenous enterprise; little prospects in cross-Border development; public expenditure constraints remaining; young people without work — that is the outline of your paper. This New Ireland Forum is about hope. Do you have hope at all, given the nature of the paper you have given us today?

Sir Charles Carter: One does not expect an economist to be particularly cheerful. With great respect, you are rather less cheerful than I was. I was not, for instance, being entirely negative about prospects of developing new enterprise. I think there are prospects which are a genuine source of hope at the present time and on which one could build if policy took more notice not just by trying to score points by saying that you had created so many new firms but actually did more to help them to build and extend their business. The negative side of what I have said is being said, of course, all over the world in practically every developed country, that is, that by the time you have added up all your

favourable factors people still do not see how they are going to be adequate against the size of the problem of unemployment which now exists. I am gloomy in the sense that I do not imagine any change of circumstances which is going to solve the problem in the next 20 years but I am certainly not gloomy about the prospect of making some impact on them and I feel that if Governments had taken my advice a little earlier the impact would have been a bit earlier.

Mr. Hugh Logue: You talk about new firms, about them coming to Northern Ireland — some would be new firms coming from Great Britain. Why do you think it is that in the last five years the firms which have come to Ireland have created 8,400 jobs in the Republic and created less than 700 in Northern Ireland?

Sir Charles Carter: It does not follow that outside investment has to be from Great Britain, of course. In fact, the system has so far been very little geared to achieving that. By far the greatest attention has been given to the attraction of enterprise from the United States which is believed to be inhabited by a large number of De Loreans.

Mr. Hugh Logue: Sir Charles, I am being specific about British investment.

Sir Charles Carter: I think far more could have been done to attract British investment and particularly to attract smaller British investment. The tendency has been to think in terms of the big firms and I think that has been a mistake. There has, however, been a special problem about attracting British investment and this is where the problem of the Troubles really does have a very serious importance because of the particular way in which they are presented to the British public and as a consequence the proportion of enterprise in Great Britain willing to move to Northern Ireland is at the moment very low.

Mr. Hugh Logue: I wonder why it is that British investment has had so much more confidence in the Republic than it has had in Northern Ireland, which is, after all, still part of the UK.

Sir Charles Carter: It can get benefits in the Republic which until recently were larger. It has the benefit of a fresh start with a fresh labour force and I think this was quite an attractive proposition but as to what the situation will be over the next five years I would be very much less certain. I do not know how much British enterprise is going to be mobile at all and whether it is going to be willing to come to Ireland, either North or South.

Mr. Hugh Logue: Could I ask you then, leaving British investment aside, to take Northern Ireland investment? Professor Dooge raised the issue with you. There has been quite a lot of wealth in the North. How is that wealth held, how is it deployed and where is it invested?

Sir Charles Carter: Essentially of course, one does not know accurately. There appears to be a fairly high propensity to save and there is certainly a tendency for the savings to be in vehicles which appear to channel them back into the great national institutions, into insurance companies, pension funds and things of this kind. The question is, what then happens to that money and you get some indicators which suggest that there is a serious loss from this cause but it is very difficult to quantify it. I think that as long as people are free to move money about not only within the country but between countries in the absence of exchange control, it is going to be very difficult to be clear either as to what is happening or as to exactly how the net benefit arose and what the net benefit really is.

Mr. Hugh Logue: Is it related to violence when you take into account that as long ago as 25 years, Isles' and Cuthbert's study — I think you were at Queen's at the time — suggested even at that stage that only 20 per cent of Northern Ireland resources was being invested within Northern Ireland?

Sir Charles Carter: Yes, I think this is an old problem. I think that really refers to the investment of Northern Ireland resources which can be traced as being, so to speak, immediately invested in Northern Ireland. The question of what goes out and then comes back again is almost impossible to trace.

Mr. Hugh Logue: What we are coming to is some evidence that there is a lack of faith, a lack of confidence in Northern Ireland on the part of British companies, British investment, and we find, you will agree, that even Northern Ireland Unionist businessmen lack confidence in Northern Ireland as a unit.

Sir Charles Carter: They would be anxious that their savings would be put in the most convenient and profitable form. Lack of confidence is a significant factor but it is probably a lack of confidence that you would find also in the most peripheral regions. I do not think that violence has the effects suggested.

Mr. Hugh Logue: You referred to the year AD 2000 and cross-Border co-operation, and you are to a degree dismissive of cross-

Border co-operation, but you do not offer any new ideas about cross-Border co-operation, and new ideas may be difficult to come by, but you referred a number of areas which are only in the embryonic stage of development. You have been familiar with the Northern Ireland Civil Service for a number of years. Do you find there has been a disposition or an ability on their part to help areas not previously considered.

Sir Charles Carter: I do not believe the opportunities being pursued are anything like as extensive as they should be. I am afraid that there is a tendency in the civil service, possibly on both sides, to pursue these matters as things to be put in the shop window. We are pursuing things as actively as possible, but I have been far from satisfied that the various issues involved in co-operation between the electricity authorities have been pursued with sufficient vigour and research in regard to the possibilities in that area. There is a certain degree of lip service but not enough energy, and I suggest that these things be pursued actively.

Mr. Hugh Logue: That is honest. In your paper you referred to computer science and computer design facilities available in Queen's. The Chairman has knowledge of that field, Senator Dooge is in engineering, and the Cork people are in micro-electronics. Would it not be right to stand back and to say that these matters can be properly developed only in the context of bringing together the resources and educational facilities in both parts of Ireland rather than leaving it to Northern Ireland, a small economy, to provide for itself better conditions for development in these areas?

Sir Charles Carter: I think that is so. You will realise that I am here today in my personal capacity. We in the NIEC are engaged in a joint exercise with the NESC trying to provide facilities for co-operation in higher education because we realise this would strengthen all of us.

Mr. Hugh Logue: Earlier, in reply to Senator Dooge, you referred to agriculture and co-operation in that field. Is it true that Ireland would be better served by joint Irish representations at EEC level? Why do you think that co-operation in this area has come so late, particularly considering that we share the same soil, the same climate, the same agricultural structure?

Sir Charles Carter: That is an area which is a good example of where there has been a wastage of resources in attempting to separate what we should be doing together. If we take some of the

personalities involved I suggest we should knock their heads together.

Mr. Hugh Logue: Can you explain the wide disparities in economic distress in different parts of Northern Ireland, the provision of services and the levels of unemployment in those areas?

Sir Charles Carter: You have inequities within Southern Ireland. This has a long history. At least an attempt is being made to even out the inequities. In the health field, for instance, an attempt is being made to prevent the lion's share of resources going to Belfast.

Mr. Hugh Logue: Areas like Fermanagh, Tyrone and Derry have unemployment rates two and a half times that of greater Belfast and there is a disparity of 3-1 in unemployment between west Belfast and east Belfast.

Sir Charles Carter: There are similar disparities in the Republic. There are wide differences between the economic prosperity in different areas. The policy has been extremely limited and one obviously would like to see more work being done there. I do not think the existence of such disparities is surprising in the North considering that the Republic also has large disparities.

Mr. Hugh Logue: Do you suggest there are peculiarly economic reasons for the disparities in Northern Ireland? For instance, Enniskillen would have twice the unemployment rate of Sligo town and Newry twice that of Dundalk.

Sir Charles Carter: Basically, these are due to special circumstances. I do not think these special circumstances in the last ten years are due to discrimination or to Government. There has been a genuine interest in attempts to do something about it, but attempts have been too late in general.

Mr. Hugh Logue: Decisions were taken about, for instance, the building of a new town in Craigavon.

Sir Charles Carter: Recognition of the need to try to remove these differences has become much clearer in periods of direct rule.

Mr. Hugh Logue: You referred to the political strike in 1974. Is it a coincidence that unemployment began to increase immediately after that strike? Before that strike, in May 1974 there were 34,000 unemployed and that has risen unrelentingly to 114,000 today.

Sir Charles Carter: Yes, it has risen basically in line with what was happening in the UK and Western economies generally. In about 1974 a great change took place, a change where we began to get this steady rise to what we first thought were the disastrous unemployment levels of 1978 but which we now realise were far less than what we would subsequently experience.

Mr. Hugh Logue: In relation to your statement that it was not realistic to suppose that the British Government would be willing to maintain existing parities after a change of sovereignty, you spoke a number of times about simple reunification. What do you mean by simple reunification, or the alternative to a less simple reunification? If a change of sovereignty for Northern Ireland was brought about, what criteria would the British Government exercise in deciding whether or not to provide financial resources and how would it determine the nature and level of those resources?

Sir Charles Carter: If there was a simple change of sovereignty you would expect the British Government to apply to this the general principles of foreign aid, to look at it as a foreign policy issue. The extent of the obligation which it would feel would depend on its views about its internal circumstances, foreign aid being a rather poor relation which gets cut whenever cuts are necessary. What I am really trying to put over is that the function which is performed in the Republic by fairly massive borrowing is performed for Northern Ireland by the transfers which are natural within the unitary state and the problem is essentially that the Republic could not expect to provide a similar level of transfer by additional borrowing. Nor is it realistic to suppose that they could get it by a guarantee of transfer from a British Government which had renounced its sovereignty. I am dropping various hints that one has to look at more complicated solutions and that it is up to you.

Mr. Hugh Logue: Picking up some of the hints, does Britain not have a debt to Ireland? That was recognised at the time of the Treaty and that has never been repudiated.

Sir Charles Carter: A week is a long time in politics and States do not generally remember things from the past except when it is convenient. I am sorry to put such a cynical line.

Mr. Hugh Logue: The British are under an obligation. Where has it repudiated a Treaty within half a century, let alone a week?

Sir Charles Carter: There would be a process of interpretation as to exactly what "obligation" means.

Chairman: As I mentioned, Sir Charles will not be with us after the adjournment. We now propose to adjourn for lunch, after which Members of the Forum can question Professor Ryan.

The leaders of the four parties represented in the Forum have indicated their desire to formally thank Sir Charles Carter on behalf of the Forum.

The Taoiseach: On behalf of my party I extend warm thanks to Sir Charles not merely for the thought and work he put into this paper which is expressed with his customary clarity and pungency even if some things in it are unwelcome, but also for being willing to undergo what must be a rather unique examination at this stage of his academic career, which he has sustained with great humour and greatly to our benefit in clarifying many important points.

Deputy Haughey: I warmly support the Taoiseach's vote of thanks to Sir Charles Carter. To follow on the Taoiseach's line I would suggest that if the distinguished Professor were applying for the position of economic adviser to this Forum he could hardly have been subjected to a more intense series of questions. Later today we will talk among ourselves at length about the contents of Sir Charles's paper and his answers to our questions. It is obvious from the questions addressed that there is not universal acceptance of his point of view but that is only to be expected. There is total unanimity on the fact that we deeply appreciate his coming to us and taking the care and trouble to prepare the paper dealing in such detail with the questions that have been addressed to him. There is great interest in this economic area and it is a great source of encouragement that he would come here today and play this role in our affairs. On behalf of my party I thank Sir Charles and hope that his interest in this entangled and difficult situation will continue and that we can always count on his good offices at any time that he might feel like helping us.

The Tánaiste: I, too, would like to be associated with the vote of thanks to Sir Charles Carter for his enlightening paper on the economic difficulties. The paper speaks for itself in relation to the time and effort put into it and we owe Sir Charles an enormous debt of gratitude. As our deliberations continue, the paper delivered this morning will be of enormous benefit to us. I compliment Sir Charles on his performance this morning under severe cross-examination. Sir Charles definitely will not be called back for the autumn handicap. On behalf of the Labour Party I thank you warmly.

Mr. Hume: On behalf of the SDLP I add my voice in agreement with what the other three party leaders have said. Sir Charles is an extremely busy man but he has always shown a deep concern for the welfare of the people of Northern Ireland. He has expressed that by giving a great deal of his life in service to the people of the North. I interpret his presence here today as another example of his concern for the Northern people and I thank him with the other Leaders.

Session suspended at 1.10 p.m. and resumed at 2.30 p.m.

Chairman: We shall follow the same procedure in respect of questions to Professor Loudon Ryan as we followed in relation to putting questions to Sir Charles Carter. We will start with Deputy MacSharry, Fianna Fáil.

Deputy MacSharry: Do I understand Professor Ryan correctly in that he was saying that the Irish punt would be a more suitable currency than the £ sterling in the North?

Professor Loudon Ryan: If one thinks of a notional Northern Irish £, at present the exchange rate is parity with sterling, but looking at the underlying economic realities the value for the Northern Irish £ relative to sterling as it exists now is inappropriate. A depreciation would be what the economic situation would suggest an exchange rate perhaps similar to that of the Irish pound to sterling.

Deputy MacSharry: Would you agree that the South has reasonably good prospects in the medium term whereas in contrast the mid-term prospects for Northern Ireland are regarded generally as very poor?

Professor Loudon Ryan: My own conviction is that prospects are not something that exist objectively at any time. The South is an independent country with very substantial discretion in the use of a whole range of economic policies. It can make its prospects better than they would be otherwise, because policies can be determined by reference to its particular problems and implemented in a manner that will make things better. I was avoiding passing judgment on the North beyond the factual statement that the policies which apply there are determined by reference to the problems facing the whole of the UK. It would be by the purest accident that they turned out to be the policies that were those best suited to Northern Ireland problems. Following from that was an implied judgment that the problems in the two parts of the country were strikingly similar, that the policies appropriate for the South would be those appropriate also for the North.

Deputy MacSharry: Would you agree, then, that the Northern and Southern economies are far more similar than they were at the time of Partition and that the needs and interests of both economies are broadly similar?

Professor Loudon Ryan: I am sure the answer is yes. I think there has been a degree of convergence. If one were to go back that length of time the North would almost certainly have been more industrialised than the South. The proportion engaged in industry in the North has fallen and is now about the same as in the South.

Deputy MacSharry: Would you agree that a political settlement involving the independent political and administrative control of an integrated economy in the whole island would be likely to have a substantial multiplier or trigger effect in developing economic expansion in the island as a whole?

Professor Loudon Ryan: I have avoided any reference to the political problem or to a political solution. My concern would be that, whatever changes are made, what still matters is that the right policies are applied.

Deputy MacSharry: Would you accept that if those decisions were made independently as they are made for the South, they should and could be better for the economy?

Professor Loudon Ryan: I stand by the earlier statement that the policies that are appropriate for the South are also the policies which at this stage would be best for the North. That is my belief. My concern would be that those policies are applied. I would not claim any expertise in identifying any political arrangement that would increase the chances of the right policies being applied but I am not trying to evade the question.

Deputy MacSharry: I think you have replied to the question.

Chairman: Thank you, Deputy MacSharry. Senator Dooge.

Senator Dooge: Since you were here during the questioning of Sir Charles Carter, was there any answer he gave with which you immediately registered within your mind a disagreement?

Professor Loudon Ryan: I do not think so. I did experience occasionally a pang of sympathy for him in being faced with some of the questions but I do not recall any feelings of acute disagreement with any of the answers he gave.

Senator Dooge: If we could abandon the acuteness, would you have answered with different points of emphasis?

Professor Loudon Ryan: There were a large number of questions put to him and I cannot recall them with any vividness but if there is any particular question on which you would like to test my reaction, I am prepared to react.

Senator Dooge: You concentrated as Sir Charles did on the question of unemployment as being the key problem both North and South. You mentioned four factors: cyclical, structural, loss of competitiveness and increased population. Could you put those in order for the South—or for the North—or would you think they would have equal weight North and South—or would there be one particularly important in the North—or one particularly important in the South?

Professor Loudon Ryan: If I had to rate those four factors for both, I would place the cyclical at the top at this stage. There is a severe world recession that has lasted for some time and must necessarily have played the dominant part in the affliction of the two economies. For the South I would place competitiveness at number two. I would place the increase in the work force at number three, and structural number four. With the North I would tend to give more importance to the structural changes in industry. They have had problems with the industry that developed in earlier decades. After that I would put competitiveness at number three, and lastly the population.

Senator Dooge: If we look beyond the short-term and if we do not make the extremely pessimistic assumption of no world recovery, would your ranking there indicate that even with world recovery there would not be an end to the particular difficulties of industry in Northern Ireland due to their severe structural problems?

Professor Loudon Ryan: While I would rate the structural highest as a factor operating in the recent past, perhaps most of the structural adjustment has been completed in the North and my recollection is that that was Sir Charles's view. I certainly was not accepting that because there was a world recession we have to sit back and watch the cork that is the Irish economy float on the level of the water that happens to be determined for us. My argument throughout was that under our control we have a wide range of policies and these policies can be used to make the prospects better.

Senator Dooge: I appreciate that and I think this is perhaps a difference of emphasis between yourself and Sir Charles. He did, under questioning, come closer to your viewpoint but he was moving from his written paper.

Professor Loudon Ryan: I think another difference was that I was speaking about the South where you have full control over the instruments of policy.

Senator Dooge: There is one question which I asked Sir Charles and which I would like to ask you. That is, what you think of the chances of getting even an approximate estimate of the effect of savings and capital flows in Northern Ireland even in the absence of exchange control and other statistics?

Professor Loudon Ryan: I would rate as slight the chances of getting anything remotely approximating to adequate statistics. I would certainly not rate them higher than the prospects of getting adequate information on exactly the same things in respect of the Republic.

Senator Dooge: Would you think it worthwhile to make an attempt in order to make even a rough comparison and to make a rough adjustment of the subvention for these factors?

Professor Loudon Ryan: It is a difficult question. As an academic, if there is the prospect of money to finance research I would never want to discourage it, but if I could speak not as an academic I think you would have to spend a very great deal of money and wait a long time and probably end up with information that was not particularly satisfactory and which fell far short of what you wanted. In short, I do not believe you need to know exactly what things are like now in order to formulate policies to make them better.

Senator Dooge: In your paper you mentioned that there were certain similarities in regard to public finance though they were manifesting themselves differently — the external borrowing in the South and the capital subvention in the North and indeed the current subvention as well. You were suggesting, I think, that possibly there would not be that much difference in long run effects. Have I misunderstood you there?

Professor Loudon Ryan: There are enormous differences in the long run effects. The nicest thing about getting a grant is you do not pay interest on it and you do not have to pay it back. The nasty

thing about borrowing is you have to pay interest on it and you have to pay it back. If you have borrowed abroad the interest payments are a net transfer of real resources from you to the institution from whom you borrowed. If you borrow internally interest means an internal transfer. You have to have higher taxes to get the money that you are going to pay to somebody else. It is still painful but there is not a net loss to the community. I have absolutely no doubt that if offered the choice between a loan and a grant it would be the latter every time.

Senator Dooge: Returning to some of the factors in regard to the problem of unemployment in the future, both Sir Charles and yourself mentioned the demographic factor both North and South and you both are making the assumption that this is a liability. This was the same assumption that was made when there was a large influx of refugees into Western Germany and this was turned into an advantage by the Federal Republic at that time. Is there something in world conditions now that makes it impossible for Ireland to do something similar?

Professor Loudon Ryan: There is a radical difference between the two situations. At the time when refugees flowed into Germany you had rising employment opportunities. That was a period of fairly rapid expansion, not only in Germany but in the western world generally. I do not think it was the inflow of refugees that created the rapid growth of the German economy. That growth was proceeding. The inflow of refugees facilitated it. That is a radically different situation from the one we currently face in either part of the island.

Senator Dooge: Still, in your paper you say: "Like the North, the South has a very valuable potential economic resource in its people". How would you propose that that be turned from potentiality to actuality?

Professor Loudon Ryan: I think I specifically suggested that to realise that potential certain things were necessary in the area of the acquisition of skills, in the area of ordinary relations at the work place, on the issue of the relation of incomes that were paid to those employed as compared with the value of what they produce. That is one plane on which you can improve prospects. The other plane is the use of the wider fiscal, monetary, incomes and other policies to create an environment that favours the growth of output and employment.

Senator Dooge: Accepting that most of the earlier factors you mentioned are approximately the same, North and South, would you then say that the control of decision-making and control of the instruments of policy would give a greater chance to the South or to a new Ireland with its own decision-making power in order to realise this potential?

Professor Loudon Ryan: I have no doubt that the South has an advantage in that it has a wide discretion and is under minimal external constraint in choosing the right economic policies to implement. If this is done the prospect will certainly be brighter. I also think that the set of policies which are right at this stage for the South are right also for the North.

Senator Dooge: Sir Charles tended to dismiss somewhat the potentialities in regard to North-South trade and North-South co-operation. Would you place any difference of emphasis on that?

Professor Loudon Ryan: I agree with him but I think that he was being slightly misinterpreted. My view is that all forms of co-operation between North and South are vital because they increase the opportunities for still wider personal contacts. That is of enormous importance. In the heel of the hunt both of us are of the view that if all known forms of North-South co-operation are successfully pursued the number of new jobs created would not be significant against the requirement of both parts of the island for a net annual increase in employment of around 30,000.

Senator Dooge: How seriously would you regard the non-membership by the UK of the EMS as a hindrance to cross-Border development and trade?

Professor Loudon Ryan: There are two elements here: the manner in which exchange rates fluctuate and the fact that fluctuating exchange rates to a degree discourage trade. There are, however, methods which can help to avoid the worst consequences of fluctuation for those who are actually trading. I would regard United Kingdom membership of the EMS as something of great advantage to the South. A high proportion of Irish trade takes place with the United Kingdom and if the £ sterling fluctuates it necessarily fluctuates relative to the Irish pound and these fluctuations create extra costs and inconvenience. If the UK were a member of the EMS there could be greater stability in the relationship between sterling and the Irish pound.

Senator Dooge: There are two further points in regard to the economic cost of the division of the island and of the violence that has gone on now for more than a decade. Do you think that significant figures can be developed for this?

Professor Loudon Ryan: I do not think so. The economic cost of the division of the island might be an exercise that could have been completed in the first few years following its occurrence. It has been there now for so long I cannot see any useful figure coming out. In any case there is the other point I was making about the similarities between the two economies. The North and South are not complementary. They are very similar in most instances and I listed a number of them.

Senator Dooge: Looking at the possibility of a new Ireland different from the existing Ireland would you consider that the Irish citizen and taxpayer would benefit by a movement towards a new Ireland more unified than it is at the moment?

Professor Loudon Ryan: If the same amount of money as currently comes to the North from the British Exchequer materialised on the same terms from some other source there would still be problems. I am passing no judgment on that but that was my understanding of a point Sir Charles made. To come more specifically to your question I would be somewhat frightened at the prospect of the Exchequer in the South accepting responsibility for the present level of subventions to the North.

Chairman: Thank you, Senator Dooge. Now we pass to the spokesman for Labour, Deputy Prendergast.

Deputy Prendergast: In emphasising the greater need for Irish competitiveness relative to other countries are you implicitly understating the overall seriousness of international factors? It is true to say there is international recognition of the problem of unemployment and while I agree with you in putting cyclical unemployment as the number one factor I think the extent of that is hidden to some extent by the structural factor. The OECD half yearly report says the present international unemployment situation would require varying approaches by the different countries. Even in Socialist countries there are different forms of unemployment. They have large armies, militia and early retirement and these are in a certain way hidden forms of unemployment. Would you care to comment on that? If everyone became more competitive that would not help the overall situation; it would worsen it in my opinion.

Professor Loudon Ryan: That is correct. I am not disputing that point. I was taking the narrow, selfish view. I accept the point that cyclical unemployment is predominant in a world recession. What is required is a world up-turn, an up-turn which this country is not by itself able to generate. If you had a world up-turn there would certainly be an improvement in the employment figures generally. The major objective here should be to improve our relative competitiveness to enable us to get a larger share of any rise in world demand.

Deputy Prendergast: You will recall the Telesis Report which confirmed the views held by many of us in the trade union movement for years — namely that the money spent on attracting foreign industries was over-generous in the context of a costs/benefits analysis. If we do not have foreign businesses coming in here and if we are in a situation where we cannot entice people to come in are we not then in the situation in which we have the funds which normally would have been spent by, perhaps, the IDA in enticing foreign industrialists to come in here now available through the Government and that money could be diverted towards constructive internal policies such as the creation of small industries and the development of food processing. What is your view on that?

Professor Loudon Ryan: First of all, I do not think that the Telesis thesis that what had been offered to attract multinationals to this country had been over-generous was proven. I think it remains as a judgment. I see no way in which you can test it but certainly it was not proven as a conclusion; it was a view. In addition, it might be that if there is one thing worse than being exploited by multinationals it is not being exploited by multinationals.

Deputy Prendergast: Could I refer you to the bottom of page 3 of your statement? After outlining the similarities of the problems between the North and South you go on to make the distinction that here in the South, however, we have an independent Government capable of exercising independent control over the policies and you then go on to say that these policies can be tailored to fit the problems of the southern economy and you say that the fact that they may not have been used or not used to best advantage is a separate issue. Could I take you up on that and ask you where in your opinion successive Governments did not do the right thing and where might we go now?

Professor Loudon Ryan: I would not want at all to appear evasive but your Chairman asked me to talk about prospects and I was

hoping that prospects meant that I could avoid economic history. On the prospects side I think that an inescapable requirement is to move towards more order in the public finances and that by operating primarily on the expenditure side — because there seems to be widespread agreement that tax rates are at or very near the limit of what is tolerable. The application of these policies will be deflationary and to generate growth you have to use the other instruments of policy — for example, incomes policy — to improve competitiveness to help us gain a larger share of whatever growth occurs in world demand. They would be the policies that I would see as appropriate to improve prospects.

Deputy Prendergast: Finally, could I say to you that in spite of the given best intentions of Britain their policy industrially in the North, for whatever combination of reasons, has manifestly failed? What kind of policy would you envisage for the North assuming a given different relationship than the existing one?

Professor Loudon Ryan: I go back to an answer to an earlier question. If we are concerned with promoting the growth of economic activity the prime requirement is the general environment within which economic activity takes place. That is determined by a variety of things. Certainly, competitiveness is vitally important. Other things that are important also and which do affect competitiveness are the cost of services that are provided largely by Government or nationalised industries, the cost of electricity, the cost of transport *et cetera*. For both North and South the first requirement is the application of policies that improve the environment for economic activity and I think the policies that would achieve that in the South are of the same kind as would achieve it for the North. But I am not clear that I am getting at the core of your question.

Deputy Prendergast: First of all, I would say that British policy has been generous in that area to the North but if we look at the North in isolation — and I go back to something I said this morning — in spite of what we have all been brought up on and almost cushioned into believing that there was some inherent superiority in the Northern system economically to what we have here; when you subject the thing to cold scrutiny, the only difference is the British subvention. All the resources, the topography and all that are just the same there as they are here. So, their industrial basis has failed. Their traditional industries as outlined by Sir Charles Carter have gone. Their traditional skills, which they did have, are not attracting industries in there. Are they not then left more or less in the very same position as we are in and

does not all logic, especially economic logic, which is the most ruthless form of argument, dictate that there should be a far greater degree of co-operation on broad lines between ourselves and the North to save both of us together?

Professor Loudon Ryan: That essentially was the point I have been emphasising, that the policies that are appropriate for the North are those which are appropriate for the South. I have been trying to avoid the area of political judgment which is an area in which I would not attach any great importance to my own opinion and I am sticking strictly to the economic.

Chairman: Mr. Hugh Logue on behalf of the SDLP.

Mr. Hugh Logue: Professor Ryan, in your paper you draw attention to the current budget deficit. Can you consider how different matters might be, including the deficit, if the security costs to the Republic directly attributable to the North, for which the net figure given by the Department of Defence and the Department of Foreign Affairs for the last five years is £409 million, had been available for other purposes, or, indeed, had never been borrowed abroad and consequently not now demanding repayment?

Professor Loudon Ryan: If those costs had not been incurred, the budget deficit would have been less if other expenditure had not arisen to offset them.

Mr. Hugh Logue: That was evident to a number of us. What I am asking is how, in your view, would matters have been different in the Republic and, in your view, how would the economic prospects of the Republic have been different if we had not had to spend that money?

Professor Loudon Ryan: I could not assemble facts and figures to fortify my answer, but my impression is that the position would not be materially different.

Mr. Hugh Logue: You are saying that the cost of security matters in the Republic would not make a material difference to the overall performance of the Irish economy, bearing in mind that the cost was in the region of £409 million in the last five years and bearing in mind that it is approximately twice what the Minister for Finance had to raise to offset the deficit in this year's budget — it must have been about £211 million?

Professor Loudon Ryan: Without the Troubles I think there still would have been increases in the numbers of the Garda Síochána, but probably not as many in the Defence Forces. If your question is related solely to the increase in security costs, that is entirely explained by another problem. I would not be inclined to think the difference would have been material. There would have been some difference.

Mr. Hugh Logue: I find that surprising, bearing in mind that the £409 million is twice what the Minister for Finance had to raise in this year's budget and the upset that caused to our economy.

Professor Loudon Ryan: Ultimately, what I am doubting is that the entire £409 million can be attributed to the Troubles in the North. If the Troubles had not been there, I think some increase would still have taken place.

Mr. Hugh Logue: This figure is given as directly attributable to the North.

Professor Loudon Ryan: Well, if it is, our current budget deficit might have been that much less. We would have been out of the wood that much sooner.

Mr. Hugh Logue: And Irish economic prospects would have been brighter.

Professor Loudon Ryan: Prospects would have been brighter sooner.

Mr. Hugh Logue: You said you would be appalled if the State had to acquire total responsibility for the UK transfer to the North. What would the position be in a 25-year period if the subvention was scaled down to zero over the period? How would you regard that — a degressive transfer?

Professor Loudon Ryan: I would be less appalled. Do you mean that the cost to the Irish Exchequer would rise from 1/25th in the first year to 25/25ths in the 25th year?

Mr. Hugh Logue: Would you regard that as a realistic objective?

Professor Loudon Ryan: I do not honestly have any experience on which I could base a realistic judgment in regard to that. It would be better than having to meet 25/25ths from year one.

Mr. Hugh Logue: We can all understand that. In your paper you referred to the potential control that goes with independence as distinct from what we in the SDLP can see in our economy — an abject marginal dependant economy. How do you think the Northern Ireland economy would have responded if it had the same independent control?

Professor Loudon Ryan: Better, I should think. It would depend entirely on the actual policies chosen in the North and the effectiveness with which they were applied. My view would be that if policies appropriate to the North had been applied they would have been more effective than current policies are.

Mr. Hugh Logue: In your paper you made much play on productive investment and this is important in both North and South. We asked Sir Charles Carter about this investment and how it was deployed. What do you think about private wealth held here and in the UK, how much of it goes into productive investment?

Professor Loudon Ryan: Information is not available which would enable me to give a complete answer. I would be somewhat worried about the attitude of investors. As Sir Charles pointed out, a great deal of wealth and investment funds are in the hands of institutions such as pension funds. Here and in Britain it is not uncommon in pension funds to have both employer and trade union representatives as trustees. One consideration that arises when determining where to invest the money is trade union risk, that is, the risk of disruption in the firms or industries in which the money would be invested. In both areas it appears to be the case that there is a preference for productive investment outside, in countries where the risk is deemed to be less, or in other kinds of asset like real estate or office blocks.

Mr. Hugh Logue: This is an issue which is important and some figures were provided by the IDA in recent times — Padraic White raised the point last year — as to how wealth is deployed in terms of gilts and property rather than into productive wealth.

Professor Loudon Ryan: I do not deny the importance of the question. Institutions, as I have said, play a vital role in allocating investment funds, and pension funds have a major responsibility to strive to ensure the real incomes of their members when they retire. Their activities must be guided solely by that. On all the evidence the prospects of assuring the real incomes of pensioners are greater if funds are invested in property than in equities or fixed interest securities.

Mr. Hugh Logue: You have been dealing with the wealth held by institutions rather than by individuals. I have also been asking about wealth held in quantity by individuals.

Professor Loudon Ryan: I was concentrating on the major decision-makers, such as the funds.

Mr. Hugh Logue: You stated in your paper that the North is fortunate in having the degree of income restraint that is now occurring in Britain. I am sure you would agree that the collapse of industry in Northern Ireland is not unrelated to UK policies. What did you mean?

Professor Loudon Ryan: When I say that the North is fortunate in enjoying a degree of moderation in the growth of pay I am thinking of settlements in particular activities of the order of 10 per cent in the South and 5 per cent in the North. The rate of growth is slower there than here. When I referred to the North being able to avoid all the problems associated with achieving a greater degree of restraint I meant that no agency in the North was playing any significant role and therefore taking no significant punishment in achieving that lower rate of growth in incomes. It occurred as a result of negotiations taking place in Britain, and what was negotiated there largely applied in the North. Looking at the experience in the South one would have to conclude that it was not at all easy to achieve a significant restraint in the growth of pay. That was the meaning of the latter part of my sentence.

Mr. Hugh Logue: It is much easier to achieve restraint when you have firms like Grundig, ICI, Courtaulds and so on closing down all around you and unemployment rising.

Professor Loudon Ryan: The unemployment in the South is not insignificant.

Mr. Hugh Logue: Professor Ryan, you provided the North with a notional balance of payments in your analysis. Can you outline the effects that the North being tied to the sterling exchange rate has had on the North's economy. The question was touched on earlier in terms of the EMS. Surely the exchange rate is far too high a rate not only for Britain but particularly for Northern Ireland?

Professor Loudon Ryan: I said somewhere in the paper that if you thought of a notionally separate Northern Irish currency, it would be overvalued relative to sterling at the present rate because pay levels are similar in the two places but productivity is a good deal

higher in Britain. The figures in the Secretariat's paper show that, for example, industrial and agricultural productivity are both higher in Britain than in Ireland. That would suggest that the cost per unit of output in the North in both industry and agriculture is higher than in Britain so that a depreciation in the "Northern pound" should make exports from the North to Britain more profitable and imports more expensive and thus improve the balance of payments.

Mr. Hugh Logue: You are chairman of the planning board, with a wide range of experience dealing with different sectors throughout your career in this country. What importance do you attach to the sectoral planning in the context of planning Irish economic integration and what broad sectoral areas do you identify?

Professor Loudon Ryan: In any planning you have to start with the problems that are common to all sectors. There are a wide range of problems, such as the impact of taxation, the cost of services, inflation and so on. One must start by tackling those problems and they can be tackled by a range of policies like fiscal and monetary policies and so on. When that is being done it is important to look at problems peculiar to particular sectors. To lead on to your further question as to which sectors should get greater emphasis, I find it difficult to be specific. Of course one wants to emphasise the industries or sectors where growth prospects are greatest but those can be identified only in broad terms — biotechnology, electronics and so on. The identification of sectors as broad as that does not give a clear guide as to what to do exactly, because it is not sectors or industries that grow; it is individual firms, and individual firms produce specific products. I cannot see any alternative to approaching it in that way. You cannot pick winners but you can back broad sectors and encourage the greatest variety of activity within those sectors and hope that one will have a high proportion of winners at the end of the day.

Mr. Hugh Logue: You are saying that you do not want to identify sectors. I had hoped for a more forthcoming answer on that.

Professor Loudon Ryan: I would find it difficult to go further because from my observation one thing that comes out very clearly is that in every expanding industry there are firms going bankrupt and in every declining industry there are firms that are expanding, so the emphasis has to be on firms. That is where things happen and where things are produced, and not in sectors of industries which are statistical abstractions. It is at the level of the individual firm, the work place, that things happen and decisions are taken and that is why I placed the emphasis as I did.

Chairman: Before we go into private session are there any spokesmen from the various parties who wish to put supplementary questions?

Deputy MacSharry: Thank you for allowing further questions. Professor Ryan in his paper says that production in agriculture is higher in the South than in the North. Would he agree that that is probably because of the advent of the CAP and because of the differing policies pursued by the UK and Irish Governments?

Professor Loudon Ryan: I find it difficult to explain it. Looking at the Secretariat paper, it is clear from the more detailed information that the relationship between agricultural productivity in the North and in the South changed fairly radically and rapidly over short periods. I would not like to attribute it to anything specific.

Deputy MacSharry: From experiences some of us may have had in the past in dealing with agriculture, there are distinct differences in the policies pursued in relation to the development of the EEC or in relation to assistance for farmers by the UK and Irish Governments. I suggest that that is probably one of the main reasons in recent years anyway. Would the Professor comment on the possible savings in an all-Ireland context for sectoral development? Generally speaking one must accept that there is a lot of duplication and waste in relation to the sectoral development on both sides of the Border. Surely substantial savings could be made in these areas.

Professor Loudon Ryan: If we think of sectors on a broad level, agriculture and industry, I cannot see much prospect of savings by simultaneously dealing with agriculture and industry in the North and in the South. The problems are similar. I cannot see economies of scale arising simply because one is dealing with both. There are problems that will cost as much if dealt with separately as if dealt with together, though I accept that dealing with them jointly would almost certainly bear greater fruit.

Deputy MacSharry: What of energy, tourism, fisheries and so on?

Professor Loudon Ryan: I am worried about the energy one. Electricity was mentioned this morning. I am not sure about the opportunities for possible trade in electricity if there are substantial excess capacity in both economies.

Deputy MacSharry: If you were advising the British Chancellor of the Exchequer would you say to him that it would be good business to achieve a settlement in the North which would end the huge burden in terms of security and of other subsidies at a cost of an annual subsidy over a pre-determined number of years?

Professor Loudon Ryan: In answering that question, I am not answering as a professional economist. As an Irishman I would certainly so advise. I would advise that it would be good value to pay the full subvention not only for a limited period but indefinitely.

Senator Dooge: Just a few points, adding to some of the questions asked earlier. I asked about the effect of the EMS and I wonder if Professor Ryan would like to comment on prospects North and South and on relationships between North and South if we had maintained, or if we had returned to, parity with the £ sterling?

Professor Loudon Ryan: I must confess that like most other people what happened after EMS entry was quite different from what was expected. When the EMS was formed and when Ireland joined, the general expectation was that the Irish £ would rise in value relative to sterling but what I and many others did not foresee was the Iranian revolution. When sterling increased in value I think the South would have suffered fairly considerably had parity with sterling been maintained.

Senator Dooge: I questioned earlier on the key problem of industrial employment. It was quite explicit in what Sir Charles Carter said and probably implicit in what you said, that there seems to be an assumption that the more central areas, the more developed countries, which currently have a surplus of labour, will continue to have such a surplus and will not revert to the condition which applied ten years ago when there was a serious shortage of labour here and which was an encouragement to investment in peripheral areas. In your opinion, how long would such an assumption continue to be valid in the future, making a reasonable assumption about world recovery?

Professor Loudon Ryan: I do not know. My problem with that kind of issue is that in trying to find an answer it is very difficult to get oneself outside the current climate. For example, I recall the way the general discussion developed during the first recession in 1975-76. In these situations it is very easy to become overly pessimistic and to wonder if there is any light at the end of the tunnel or even if there is a tunnel. But I would have hoped that

within a period of five years there would be some reasonable improvement though perhaps not to the unemployment rates that were considered acceptable ten or 15 years ago. These may not be the appropriate standard any more because the costs imposed on the unemployed are not as large relative to the wage rate as they used to be. That enables people who are unemployed to search longer for employment. It probably extends somewhat the average period of unemployment and raises the rate but that is not necessarily bad.

Senator Dooge: You would then see that, in the relationship between the central triangle of Europe and the peripheral areas, there would be a reversion there to something like the situation of ten years ago?

Professor Loudon Ryan: Back in 1979, and specifically on 12 March that year, I did not foresee the Iranian revolution.

Senator Dooge: We will not ask you to prophesy the next revolution.

The Taoiseach: On behalf of my party I thank Professor Ryan. His comments have been very usefully complementary to those of Sir Charles Carter. Between them they have given us a lot to think about. For myself and perhaps for other people, too, we will have to read the record of what has been said because so much has been said that is useful and important. This has been a very useful day.

Deputy Haughey: The members of the Forum must be deeply grateful both to Professor Carter and Professor Ryan for the presentations they have made to us and for the detailed outline they have given of their views, particularly in answer to the questions put to them. It is important that we in this Forum have access to as wide a range of expert opinion and analysis as possible. I say that, although my view on the academic economist is well known, and that it is my belief that that role must be to provide advice and analysis to the politicians but never to have the final decision. These two eminent economists have painted in varying degrees a bleak and depressing picture. We must take this into account in our thinking. I would like to suggest to the Forum that we look on that more as a challenge or a difficulty to be overcome rather than a dismal fate to be accepted passively. In that connection this Forum must reject positively certain concepts that were put before us this morning.

Massive emigration is not a solution. No responsible person should be prepared to contemplate nor can we possibly regard the growth of a large security industry as a beneficial by-product of continuing violence nor can I accept the proposition that Britain would refuse to give, at least for a reasonable period, substantial financial assistance to a new Ireland or that the EEC or the US would equally refuse to provide parallel support. If economics is the dismal science, politics must be the profession of hope and I find it hard to accept that two eminent economists could not formulate for us in this Forum a prospect of an all-Ireland economic entity capable of developing its own inherent dynamic for progress provided the political structures are right.

It remains our view that Northern Ireland is a political anachronism. It is neither a viable political nor a viable economic entity. Whatever level of economic activity it achieves in any period is simply a direct reflection of the amount of resources, financial and economic, the British Government is prepared to make available from the British taxpayer. The existence of this artificially sustained economy has prevented the fruitful development of the island as a whole as a natural economic unit. It has also stunted the potential of our people, particularly the Northern people. It is clear that in every economic sector there would be enormous advantage in integrating our efforts and that substantial benefits would follow from eliminating unnecessary and wasteful duplication and competition.

Violence is preventing economic growth and has caused investment to dry up in the North. The cost of violence is enormous and is diverting resources from more productive and beneficial uses. There is no reason why with initial British, EEC and American assistance a united Ireland should not be self-sustaining in the same way as many countries of a similar size and similar human and other resources are. One would have to take a very defeatist view of the capabilities of the Irish people North and South to argue that both parts of the country are incapable of providing for themselves after a period of adjustment a standard of living in goods and services on a par with those available in any comparable region of Europe.

These are just some reflections which the contributions of these two very distinguished and very eminent economists have given rise to in my mind. I would like again to congratulate both of them on their presentations and on the forthrightness with which they have answered some very difficult questions. The Forum is honoured that they should come to us and give us of their know-

ledge and expertise. I think we have had a very useful and successful day because of the presence of these two eminent professional economists.

The Tánaiste: On behalf of the Labour Party delegates, I wish to be associated with the vote of thanks to Professor Ryan. Both Professor Ryan and Sir Charles Carter put a lot of work into the preparation of their documents for today. Both papers will give food for thought for our further deliberations relating to the fundamental economic and political difficulties facing the Forum. I feel that both papers before us today are deserving of long and detailed consideration by the parties in the Forum. That will be our intention and we will be able to report back to the Forum in greater detail in due course. I would like to thank Professor Ryan for the work he put in and for the seriousness of his approach to the whole question being discussed today. I thank him sincerely.

Mr. Hume: It only remains for me to join with the other three Leaders in expressing our deep appreciation to Professor Ryan for coming along here today. He has honoured the Forum with his presence. He is one of the most distinguished economists in the country and a man who has a lot more to do with his time. The fact that he has chosen to spend a day here with us is, indeed, an honour to the Forum. We have had a very lengthy and detailed examination of the deep economic problems that face the country, North and South. A lot has been said and I am glad that a detailed record of it has been kept that will be available to us. The Forum has already done a great deal of work on the economic situation past, present and we hope future. Today's hearings have been a valuable part of that and I would like to thank Professor Ryan on behalf of the SDLP. I would also like to thank the spokesmen who participated all day and made it the occasion that it was and I would also like to thank the members of the Press for their patience.

Chairman: Thank you all very much. Thank you, Professor Ryan. That concludes the public session. After a break of five minutes we will reassemble for a very short private session.

3.55 p.m. *Public Session concluded.*

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