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# NEW IRELAND FORUM

The Cost of Violence  
arising from  
the Northern Ireland Crisis  
since 1969

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The New Ireland Forum was established for consultations on the manner in which lasting peace and stability can be achieved in a new Ireland through the democratic process. The opening meeting of the Forum was held on 30 May, 1983. This report by the Forum on "The Costs of Violence arising from the Northern Ireland Crisis since 1969", was adopted at the Forum's meeting on 3 November 1983 in Dublin Castle.

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### **1. Introduction**

**1.1** There have been periods of violence in the Northern part of the island for many years, both before and after partition in 1920. The people of the North, and to a lesser extent, of the South and of Britain have, during these periods, suffered death, maiming and bombing. The violence has destroyed jobs and economic opportunities. But the most sustained and atrocious period of violence has been that of the past 14 years since 1969. This paper outlines the terrible effects of that violence and estimates its costs in human and economic terms for the people of Ireland, North and South, and for the people of Britain.

**1.2** The sources for the various tables in this study are listed in Appendix II. References to figures "at current prices" relate, in the case of a single figure, to the money values of that year and, in the case of a period of years, to the money values of each succeeding year in the period in question.

### **2. Deaths and Injuries in the North**

**2.1** The most tragic cost of violence since 1969 is that of the deaths of over 2,300 men, women and children in the North. In addition, over 24,000 people have been injured or maimed. During the past 14 years there have been over 43,000 separate incidents of shootings, bombings and arson. The effect on society has been appalling and there is hardly a family that has not been touched to some degree by death, injury or intimidation. The killing of over 2,300 people in the North, with a population of one and a half million, is equivalent in proportionate terms to the killing of approximately 81,000 in Britain, 80,000 in France or 325,000 in the United States.

Table 1 gives a classification of the 2,304 fatal casualties from 1 January 1969 to 30 June 1983 under the general categories of civilians, security forces and paramilitary groups. The category 'civilian' specifies those persons killed who do not belong to the following categories: a) members of the security forces; b) prison officers; c) acknowledged members of paramilitary groups; d) individuals engaged in criminal activity (e.g. robbery); e) individuals whose role at time of death was uncertain (e.g. riot situations). As the more

detailed table in Appendix I illustrates, 44 persons in this category were former members of the security forces and 20 were elected representatives or political activists. Additional details for this table are given in table 1 in Appendix I.

**Table 1: Loss of life arising from violence in the North, 1 January 1969 to 30 June 1983<sup>1</sup>**

Classification	YEAR														Total	
	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83 <sup>1</sup>	
Civilian	13	17	96	242	130	149	177	221	55	31	31	42	42	39	12	1297
Security Forces	1	2	59	149	79	51	31	54	46	31	68	31	44	41	15	702
Paramilitaries	1	5	17	75	40	21	35	19	12	7	5	5	19	13	4	278
Unclassified	1	1	8	3	1	2	1	1	2		3	2	2	2	27	
Total	15	25	173	474	252	221	244	296	114	70	106	78	108	95	33	2304

<sup>1</sup>**Note:** Reference to 1983 in tables 1-4 includes from 1 January to 30 June only.

**2.2** Of the total 2,304 fatalities 1,907 were born in the North; Table 2 gives a breakdown of their religious affiliation. It can be seen that both communities have suffered from the violence.

**Table 2: Religious affiliation of 1,907 fatalities, born in the North, 1 January 1969 to 30 June 1983<sup>1</sup>**

Religious Affiliation	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83 <sup>1</sup>	Total
Catholic	8	15	85	243	106	114	126	142	43	17	26	28	48	32	10	1043
Protestant	7	9	48	124	81	75	101	139	53	39	42	36	49	41	20	864

**2.3** Table 3 provides a further breakdown of the religious affiliation of 1,297 fatalities designated as civilians in table 1.

**Table 3: Religious affiliation of 1,297 civilians who were killed**

Religion	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	Total
Catholic	7	8	62	166	75	95	104	124	33	9	17	20	27	20	6	773
Protestant	6	8	31	74	50	50	69	95	19	21	14	19	15	18	6	495
Civilians not natives of the North	1	3	2	5	4	4	2	3	1		3		1		29	

**2.4** Table 4 provides a classification of all fatal casualties on the basis of the agencies responsible for the loss of life under the categories republican paramilitary groups, loyalist paramilitary groups and security forces. 163 cases are included under a non-classified heading\*. Additional details for this table are given in table 2 Appendix I.

**Table 4: Agencies responsible for loss of life, 1 January 1969 to 30 June 1983**

Agency	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	Total
Republican Paramilitary Groups	4	18	96	255	128	98	102	142	70	52	88	49	67	72	23	1264
Loyalist Paramilitary Groups	2	2	21	103	80	94	115	111	24	6	14	14	11	11	5	613
Security Forces	9	5	41	74	32	17	7	16	9	10	1	9	18	11	5	264
Non classified*			15	42	12	12	20	27	11	2	3	6	12	1		163
Total	15	25	173	474	252	221	244	296	117	70	106	78	108	95	33	2304

\*Note: The non-classified total embraces three distinct groups:

- (1) Those incidents where it is not possible to attribute responsibility.
- (2) Those incidents where there is no direct line of responsibility e.g. certain affrays or riot situations.
- (3) The deaths of the ten hunger strikers. However, accidentally self-inflicted deaths (e.g. premature explosions) have been attributed to the agency initiating the action.

### 3. Spillover of Violence from the North to the South and to Britain

**3.1** Since 1972 some 45 people have been killed in terrorist explosions in the South and 8 members of the Garda Siochana have been murdered by terrorist activity. Terrorist organisations have been responsible for a substantial share of the armed robberies which increased from 11 in 1970 to 306 in 1981 but fell to 158 in 1982. Because of tighter and costly bank security measures the number of armed bank robberies has fallen in recent years with 20 recorded in 1982. This fall has however, coincided with an increase in the number of armed robberies and armed aggravated burglaries of post offices and private dwellings.

**3.2** The people of Britain, while they are physically more remote from the violence than the people of Ireland, have also suffered in human and financial terms. Over 370 members of the British army have been killed in the North and additional members of the army and police have been killed in Britain. British citizens have died in sporadic terrorist bombing campaigns in major cities. There have also been murders of leading political and official figures. In all, it is estimated that 72 persons have died in Britain since 1973 because of violence arising from the Northern Ireland situation.

### 4. Psychological and Social Impact of the Violence

**4.1** The violence in the North has undoubtedly had a psychological impact on its population, particularly in Belfast and Derry and in some border areas. Those directly exposed to the campaign of violence suffer much anguish. Some psychiatrists argue that it has been in those areas bordering on the scenes of greatest violence that one will find the most significant increase in tension and anxiety. The violence has often succeeded in its aim of alienating sections of the community from each other and in fostering misunderstanding, fear and hatred. During the seventies, sectarian rioting and terrorist violence from the extremists of both traditions resulted in the largest single displacement of civilian population in Western Europe in peacetime. In Belfast alone over 60,000 people moved residence, largely because of

violence and intimidation. There were also extensive security force operations involving widespread arrests and house searches. In 1971 there were 17,262 house searches in the North; two years later in 1973 this had risen to 75,000, one fifth of all houses in the North. The violence has also resulted in the introduction of special legislation to cope with the intimidation of witnesses and jurors.

**4.2** Between 1971 and 1981 the North, by contrast with the South (which experienced an annual net immigration of 10,000 annually), had a net outward emigration of about 8,000 per annum. Labour Force Surveys and censuses of population carried out in the South and other indications suggest that between 20,000 and 25,000 persons migrated from the North to the South between 1971 and 1981. Furthermore, a study from the New University of Ulster in 1982 showed that between 2,000 and 3,000 young people who leave the North each year for further education never return. While the North's population increased by 0.8 per cent annually from 1961 to 1971, from 1971 to 1981 the growth rate fell to 0.2 per cent compared with a growth rate of 1.5 per cent in the South.

## 5. The Demography of Violence

**5.1** Various studies to determine which areas of the North have suffered most from the violence conclude that the worst affected areas are urban areas, particularly Derry and Belfast. Dr. Michael Poole of the New University of Ulster analysed the total of 2,161 deaths that occurred between 1969 and 1981 in 1,715 separate fatal incidents. Of these fatal incidents, 1,260 (73.5 per cent) were urban in the sense of occurring within the 27 towns in the North.

**5.2** Table 5 shows that there is a tremendous concentration of urban violence in Belfast and Derry and that there is a variation among other towns ranging from 28 incidents in Lurgan to none in as many as four towns. It is

**Table 5: Fatal Incidents (1969-1981) and fatal incidents per 1,000 people in towns with over 5,000 people in 1971**

Town	Fatal incidents	Fatal incidents per 1,000 people	Town	Fatal incidents	Fatal incidents per 1,000 people
Derry	127	1.91	Larne	3	0.16
Belfast	980	1.77	Cookstown	1	0.14
Armagh	21	1.54	Bangor	5	0.14
Strabane	14	1.49	Ballymena	3	0.13
Portadown	25	1.13	Lisburn	4	0.13
Dungannon	9	1.10	Banbridge	1	0.13
Lurgan	28	1.00	Coleraine	2	0.12
Newry	20	0.99	Antrim	1	0.07
Limavady	2	0.33	Newtownards	1	0.06
Carrickfergus	5	0.30	Ballyclare	—	—
Omagh	4	0.27	Downpatrick	—	—
Enniskillen	2	0.21	Portrush	—	—
Comber	1	0.18	Portstewart	—	—
Ballymoney	1	0.18			

notable that there is a large gap between the 8 towns which have suffered the most violence and the remaining 19. In the earlier period of violence from 1969-74 Strabane actually experienced the highest level of violence and in the later period from 1975-81 Portadown moved from eighth place to fourth. If recent fatal incidents up to 1983 are included the only notable change is that Armagh shows the highest level of violence.

**5.3** Table 3 in Appendix I complements Table 5 by illustrating the recent industrial and commercial sector damage in 4 of the 8 urban areas with high-level violence. (A comprehensive picture of compensation paid for damage to property is given in Table 8.) It can be noted that areas such as Derry, Strabane and Newry, already suffering from regional disadvantages, have been further set back by the campaign of bombing and destruction. If one takes only the amounts paid since 1978/79 the sum paid for damage to these four cities and towns comes to IR£92 million in current prices.

**5.4** In addition Table 4 in Appendix I shows the pattern of killings in the North from 1980 to 1982 in four areas: Belfast and adjacent towns; rural towns and country areas — non-border; border towns; and rural border areas. It can be seen from this table that the number of killings in non-border rural towns/villages and in border towns has increased recently.

## 6. Direct Cost of Security Operations in the North and South

**6.1** The violence in the North has resulted in a major extra financial burden to the Irish and British economies. For the South it is estimated by the relevant Government Departments that the extra security costs arising from the violence amounted in current prices to IR£724 million between 1969 and

**Table 6: Security Costs in the South**

	Total expenditure on security in South*	Extra security costs due to violence	Extra costs as percentage of total expenditure	Extra costs per head of population in the South
	IR£m	IR£m	%	IR£/head
1969/70	31	2	6.5	1
1970/71	39	3	7.7	1
1971/72	46	7	15.2	2
1972/73	63	11	17.4	4
1973/74	76	15	19.7	5
1974 (9 months)	70	15	21.4	5
1975	131	33	25.2	10
1976	149	40	26.8	12
1977	168	47	28.0	14
1978	195	55	28.2	17
1979	241	60	24.9	18
1980	325	79	24.3	24
1981	424	98	23.1	29
1982	488	125	25.6	36
1983	506	134	26.5	38
Total	IR£2,952m	IR£724m		

\*Figures from 1969 to 1981 are from the Appropriation Accounts. The estimated outturn for 1982 and expenditure plans for 1983 are taken from the Book of Estimates for 1983.

1982 or IR£1,050 million in 1982 prices. These extra costs were incurred by the Defence Forces, the Gardai and the Prison Service. Table 6 illustrates the additional expenditure in current prices since the violence began in 1969. It will be noted, for example, that the extra costs in 1982 were IR£125 million or 26 per cent of the total security budget costs in the South.

**6.2** In the North there are no separate figures available for the extra expenditure on law enforcement and the courts arising from the violence. However, on the basis of an officially estimated IR£308 million (Stg.£250m) for extra law enforcement costs in 1982-83 (which amounted to about 68 per cent of total expenditure under this item) and if it is assumed that this proportion applied for previous years, it is possible to derive an estimate of IR£2,808 million (Stg.£2,642m) in 1982 prices as the order of magnitude of the *additional expenditure* incurred on security arising from the violence. In addition, the *extra costs* of maintaining the British army in the North amounted to IR£1,650 million (Stg.£1,550m) in 1982 prices. Combining these figures gives an estimate of some IR£4,458 million or Stg.£4,192m for the *total security costs* in the North over the period 1969-1982 arising from the violence.

**Table 7: Security Costs in the North (current prices)**

Expenditure on law, order and protective services and NI courts. [A separate breakdown of the extra costs of violence not available]		Extra costs of British Army in Northern Ireland arising from violence	
Stg.£m.	IR£m.	Stg.£m.	IR£m.
1969/70	15	15	2
1970/71	21	21	6
1971/72	29	29	14
1972/73	60	60	29
1973/74	73	73	33
1974/75	109	109	45
1975/76	150	150	60
1976/77	168	168	65
1977/78	178	178	69
1978/79	206	206	81
1979/80	250	259	96
1980/81	312	352	111
1981/82	344	430	149*
1982/83	369	454	143
(extra costs £250m)			

\*New basis for calculation introduced in 1981/82.

**6.3** It should be noted that although the absolute security cost to the British Government of the violence in 1982/83 is estimated as three and a half times that of the Irish Government in 1982 the proportionate expenditure on a per capita basis was equivalent to IR£9 in the UK compared to IR£36 in the South.

## 7. Compensation for criminal injuries (including deaths) to persons and criminal damage to property in the North and South

**7.1** Very considerable payments have been paid in the North and the South as official compensation for criminal injuries to persons or for criminal damage to property. Up to the end of March 1982 over IR£73 million (Stg.£70m) was paid in compensation for criminal injuries (including deaths) to persons in the North. The Northern authorities do not provide separate statistics for compensation arising out of the violence alone but the dramatic increase in payments in the early 1970's strongly suggests that most of the payments made related to the violence of that or later periods.

**7.2** Table 8 gives an annual breakdown of payments in the North for criminal injuries to persons and for criminal damage to property since 1968. The total comes to Stg.£498 million or, in present-day values, IR£1,040 million (Stg.£1,008m) in 1982 prices. The figures for criminal damage to property are conservative as they do not include the cost of damage to Government owned property in the North which has been considerable.

The figures do not include compensation payments by the British Ministry of Defence in settlement of claims either private or arising from civil court actions and relating to the death or injury of citizens or damage to private property since 1969. In response to a parliamentary question the British Secretary of State for Defence stated that this information is not available and could only be obtained at 'disproportionate cost'.

**Table 8: Compensation paid in each financial year in the North**

Year (April to March)	Criminal Injuries to Persons Stg.£ (millions)	Criminal Damage to Property Stg.£ (millions)
1968/69	n.a.	0.01
1969/70	n.a.	2.0
1970/71	0.4	2.8
1971/72	0.7	4.0
1972/73	2.2	26.6
1973/74	3.9	28.0
1974/75	6.0	40.2
1975/76	7.9	45.8
1976/77	6.3	50.0
1977/78	7.5	37.2
1978/79	10.6	39.1
1979/80	8.7	39.5
1980/81	10.0	44.6
1981/82	6.3	36.6
1982/83	n.a.	31.1

**7.3** In the South separate figures are not available for compensation for injury (including deaths) to persons arising out of the violence in the North. However, Table 9 shows the amounts paid since 1974 when the Criminal Injury Tribunal was established (effective for claims since 1972). An estimate by the Department of Justice suggests that of the IR£1.8 million paid in 1981, IR£325,000 could be attributed to violence. A further estimate calculates 18 per cent or IR£1.5 million of the awards given since 1974 might be attributed

to the violence in the North. This would amount to IR£2.2 million in 1982 prices.

**Table 9: Payments made by Criminal Injury Tribunal (established 1974) with retrospective effect from October 1972**

	IR £ (millions)	No. of awards
1974	0.1	n.a.
1975	0.5	170
1976	0.3	143
1977	0.5	148
1978	0.5	152
1979	0.8	244
1980	1.1	335
1981	1.8	443
1982	2.6	450
1983	3.5 (est.)	n.a.

**7.4** It was decided by the Government in the South in 1974 that the cost to local authorities of damage to property that could be attributed to the violence in the North could be recouped from the Exchequer. In addition, where malicious damage claims put a burden on the rates of more than 20p in the £ the Exchequer would pay the excess. If one includes the amounts paid by the local authorities up to 1974 and the Exchequer payments under the heading of Northern violence from 1975 the total amount comes to over IR£10 million or about IR£28 million in 1982 prices. Table 10 gives an annual breakdown since 1967.

**Table 10: Compensation paid by the South for damage to property**

	Exchequer payments attributed to disturbances in the North IR£ (million)	Exchequer payments not attributed to disturbances in the North IR£ (million)	Local authority payments including those attributed to disturbances in the North IR£ (million)
1967/68			0.2
1968/69			0.1
1969/70			0.1
1970/71			0.3
1971/72			0.6
1972/73			0.6
1973/74			0.7
1974 (9 months)			1.3
1975	1.3	0.3	
1976	1.2	1.2	
1977	1.0	0.1	
1978	0.6	0.1	
1979	0.3	0.5	
1980	0.6	2.6	
1981	0.4	4.1	
1982	0.7	4.9	

**7.5** An additional security cost in the North not included in Table 7 is the official premium given to hotels and other commercial undertakings towards the cost of maintaining security staff. These costs are given below in Table 11. (This premium has since 1982 been added to the NIO vote).

**Table 11: The Security Staff Premium Scheme in the North**

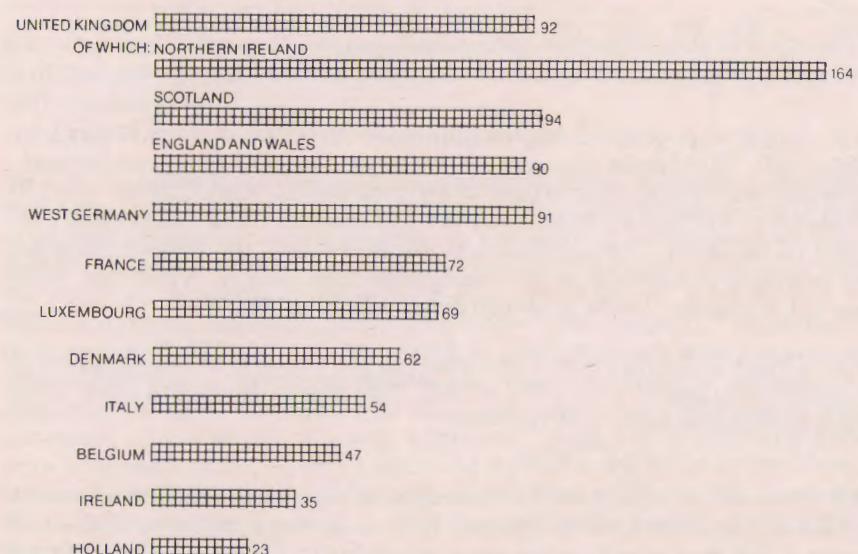
	Stg.£m	IR£m
1975/76	3.15	3.15
1976/77	3.97	3.97
1977/78	4.63	4.63
1978/79	5.40	5.40
1979/80	5.36	5.55
1980/81	6.83	7.7
1981/82	2.63	3.29

The total comes to IR£34 million or in 1982 prices IR£53 million.

## 8. The Growing Costs of Prisons, North and South

**8.1** The violence in the North has resulted in a much greater number of people, especially young males, serving prison sentences than would be the case in normal conditions. The prison population in the North has risen from 686 in 1967 to about 2,500 today — 500 less than at its peak. This represents the highest prison population, per 100,000 population, in Western Europe. Graph 1 sets out the comparison with other countries on the basis of the latest figures available showing the North with 164 prisoners per 100,000 of the population and the South with 35.

**Graph 1: Prisoners per 100,000 of total population.**



**8.2** In the North there are no separate figures for prisoners who in the South would be classified as 'subversive prisoners' but a large proportion of the 75 per cent of prisoners classified as 'high risk' were convicted of crimes connected with terrorism. In 1981, 567 or 24 per cent of 2,387 persons committed under sentence had been convicted of offences connected with terrorism, including murder and other crimes of violence against the person, explosives and firearms offences and robbery. There are 423 prisoners serving life sentences, including 66 who were under age, when sentenced, and are held at the Secretary of State's pleasure. Of this total the Maze H-Blocks contain 230, the Maze compounds 160, Crumlin Road 30 and Armagh 3. Table 12 gives the numbers in prison from 1970 to 1981. Given that over 25,000 persons have been committed under sentence between 1970 and 1981 and, applying the 1981 estimate that 24 per cent of all those convicted were connected with terrorism offences, there could have been over 6,000 persons imprisoned in the North as a result of the violence. If one also includes those persons who were interned and those given mandatory sentences for rioting (who would not be included in the percentage for terrorism) this figure could be as high as 10,000.

**Table 12: Numbers in Prison, Borstal, and Young Offenders' Centres on 31 December in each year**

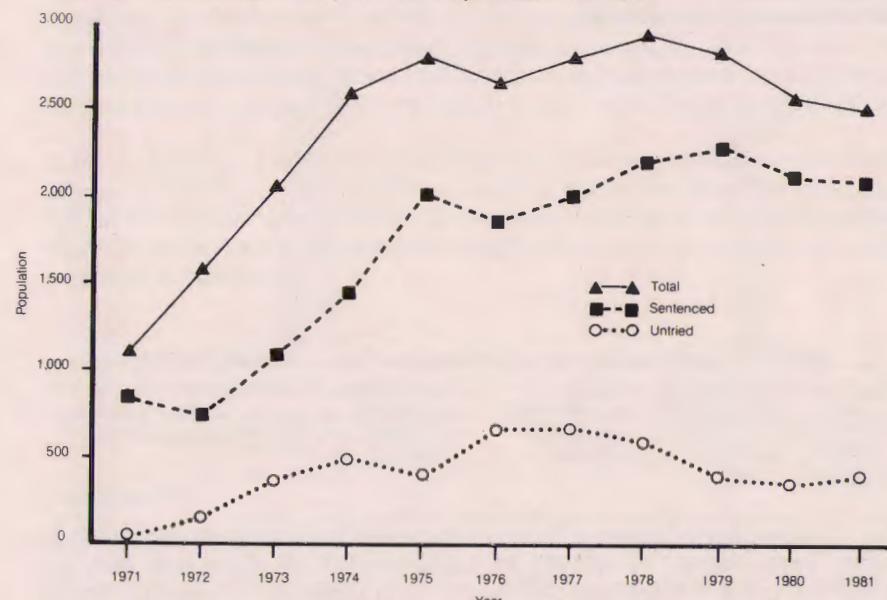
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Total
In Prison:													
Men	766	806	1092	1593	2005	2501	2374	2656	2593	2295	2168	2187	
Women	18	13	25	56	82	87	67	84	78	66	55	50	
In Borstal:													
Boys	124	112	91	89	89	116	140	138	140	148	—	—	
Girls	2	5	4	1	2	2	—	—	—	—	—	—	
In YOCs:													
Males	—	—	—	—	—	—	—	—	135	210	207	—	
Females	—	—	—	—	—	—	—	—	10	1	—	—	
Total	910	936	1212	1739	2178	2706	2581	2878	2811	2654	2434	2444	25483

**8.3** In the Maze prison Catholics outnumber Protestants in the H-Block by 530 to 300. 730 of these prisoners are serving sentences of four years or more. In Magilligan prison out of a total of 380 prisoners, 210 are Catholic and 170 Protestant. In Crumlin Road there are 230 convicted and 370 prisoners on remand, including 220 Catholics and 150 Protestants. In Armagh there are 50 women prisoners and in the Young Offenders Centre, Hydebank, there are 271 prisoners, 259 of them convicted and 12 on remand.

**8.4** Graph 2 illustrates the fluctuation in the average daily population in prisons in the North from 1971 to 1981. This Graph does not include those persons interned from 1971 to 1975.

**8.5** The current cost in 1983 of running the prisons in the North comes to IR£69.8 million (Stg.£55.8 million). With an average prison population of some 2,500 that works out at approximately IR£27,500 (Stg.£22,000) per

**Graph 2: Average Daily Prison Population 1971-81**



head which is higher than the cost per head in Britain. This expenditure covers running costs but not the investment in capital costs for new prisons such as Magheraberry. This jail, on which work began in 1978, will have 447 cells for male and 56 cells for female prisoners. It will cost an estimated IR£37 million (Stg.£30 million) in 1982 prices. (These capital and running costs are already included in the total cost of law and order in Table 7).

**8.6** The total number of persons employed in the prison staff in the North as of June 1983 was 2,983. The bulk of this total, 2,009, are male and female staff at basic grade.

**8.7** In the South it is difficult to cost exactly the extra expenditure that has been necessary in the prison service because of terrorist-related crime but the extra costs in terms of capital expenditure and staffing set out below give an overall indication of the increased expenditure. (These figures are included in the total cost of security in Table 6). In May 1972 there was a serious riot in Mountjoy prison involving subversive prisoners and the cost of reconstruction came to IR£650,000 in 1982 prices. In 1973 most subversive prisoners were transferred to Portlaoise prison and, therefore, most of the cost of operating Portlaoise since 1973 and Limerick prison since 1981 (when it was converted into a prison for male subversive prisoners) is attributable to terrorist-related crime. Table 13 shows the capital expenditure on these two prisons during these periods. The total cost to date in 1982 prices comes to IR£1.3 million which is included in the figures for total security expenditure given in Table 6.

**Table 13: Capital Expenditure at Portlaoise Prison from 1972 to 1982 and also at Limerick Prison in 1982**

Year	Approximate Expenditure IR£
1972/73	15,000
1973/74	25,000
1974 (9 months)	55,000
1975	42,000
1976	54,000
1977	43,000
1978	13,000
1979	53,000
1980	116,000
1981	17,000
1982	331,000

**Note:** The Table covers all the capital expenditure related to prison security needs e.g. accommodation for army and garda contingents, special lighting, defensive barriers, etc.

**8.8** The number of prison officers in the South has increased very much in recent years, from 774 in 1977 to 1,576 in 1983. If there had been no subversive crime it is felt that the number would not have increased so much or so rapidly. Table 14 shows the number of prison officers concerned with subversive prisoners and their approximate staff costs since 1974. The extra staffing cost comes to IR£34 million in 1982 prices.

**Table 14: This table gives the number of prison officers in Portlaoise prison and their annual cost from the time the subversive prisoners were moved to Portlaoise at the end of 1973 up to 1981. For 1982 the number of officers in Limerick Prison and their cost is added to the Portlaoise figures.**

Year	Approximate Cost (current prices) IR£ (million)
1974	149
1975	166
1976	172
1977	217
1978	267
1979	269
1980	366
1981	356
1982	519

**Note:** It is not possible to give the cost of prison officers dealing with subversive prisoners prior to 1974 as up to that the same prison officers were dealing with subversive and ordinary prisoners.

It does not include such items as the upgrading of ablutionary or catering facilities or reconstruction work that would arise in normal course.

**Table 15: The approximate annual cost (current prices) of maintaining a subversive prisoner in Portlaoise from 1974 on and in Portlaoise and Limerick Prison for 1982. Staff and prisoner maintenance costs are included. Capital costs are not included.**

Year	Approximate annual cost IR£
1974	5,370
1975	9,280
1976	9,385
1977	10,950
1978	12,775
1979	18,355
1980	35,975
1981	42,805
1982	48,700

**8.9** The approximate annual costs of maintaining a subversive prisoner in Portlaoise prison from 1974 and in Portlaoise and Limerick prisons for 1982 are included in Table 15. Staff and prisoner maintenance costs are included but capital costs are not. If the additional cost of Garda security is included in 1982 the per capita cost of an inmate in that year comes to IR£61,400.

**8.10** Tables 16, 17 and 18 give a breakdown of the age groups of subversive prisoners in 1982, of all prisoners since 1973 and of the length of sentences for subversive prisoners in 1982. The number of subversive prisoners in 1982 was 238 which means they represent nearly 20 per cent of the total of 1,200 prisoners in the South.

**Table 16\*: Breakdown of subversive prisoners into age groups in 1982**

	Less than 18 years	18 years but less than 25 years	25 years but less than 30 years	30 years but less than 40 years	over 40 years
<b>Portlaoise (199)</b>	1	38	81	60	19
<b>Limerick</b> (31 Male) (2 Female)	—	4 males	14 males 1 female	12 males 1 female	1

**Table 17\*: Committals to all prisons by age since 1973**

Age Groups	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
15 to 17 years	24	33	13	26	29	25	25	25	10	12
17 to 21 years	625	486	499	591	458	451	427	523	498	513
21 to 25 years	641	603	583	633	551	557	553	564	560	751
25 to 30 years	401	439	451	488	419	457	386	435	415	549
30 to 40 years	404	473	422	425	370	416	354	461	419	476
40 to 50 years	232	203	236	216	161	189	186	226	149	183
50 to 60 years	114	102	102	69	66	85	65	62	38	44
60 to 70 years	30	14	24	29	31	26	23	19	26	25
70 and over	1	4	—	—	3	1	6	5	5	4
Total	2472	2357	2330	2480	2088	2207	2025	2320	2120	2557

**Table 18\*: Percentage breakdown of subversive prisoners serving sentences of following lengths in 1982**

	Less than 1 year	1 year but less than 5 years	5 years but less than 10 years	10 years but less than 20 years	over 20 years
<b>Portlaoise</b>	1%	14%	48%	28%	9%
<b>Limerick</b>	—	9%	43%	36%	12%

\*The breakdown of committals for all prisoners is only readily available in the age groupings given in Table 17 as this is the way they are compiled for the annual report.

## **9. General Economic Impact of the Violence**

### **Decline in Output**

**9.1** Although it is certain that violence has damaged the North's economic performance, it is difficult to quantify precisely the exact extent to which the violence, as distinct from other significant factors, affected the North's economy. The most important of these factors is the general reduction in the level of economic activity in the UK, largely as an effect of the international recession since the 1973 oil crisis although the high exchange value of sterling has also been a significant influence. In addition, the North has faced particularly severe structural adjustments, as the shipbuilding and textiles industries, on which it is particularly dependent, contracted in the face of competition from low cost countries and from other changes. Finally, the North has suffered a growing loss of competitiveness relative to Britain and to the South, as unit wage costs reflected the adverse effects on productivity of the decline in industrial output.

**9.2** An examination of the variation in performance of the North's economy in relation to that of Britain and some of its regions helps to distinguish between the influence of violence and other negative factors on the decline in output. Since 1950 the general trend of economic performance in the North followed the trend in Britain closely. It might reasonably be expected that in the absence of violence this pattern would not have significantly altered, even in the recessionary conditions of the 1970s. In the 10 years prior to when the violence began in 1969 average annual GDP growth in the North was approximately 40 per cent *above* that in Britain. However, between 1969 and 1982, despite substantial growth in transfers from Britain, average annual GDP growth in the North was only 40 per cent *of* Britain. This decline in growth cannot be simply explained by the poorer performance of peripheral regions in a recession because the North's performance was also worse than that of other regions of the United Kingdom. Comparing GDP in the different regions over the period 1971-81, as given in 'Regional Trends 1983' (UK CSO) and using the UK GDP deflator the North's GDP grew in real terms on average 0.5 per cent per year compared to 0.9 per cent for Wales and 1.2 per cent for Scotland. This relatively poorer performance by the North in the post-1970 period occurred in spite of increasing public expenditure in the North compared to the other UK regions. By contrast the South substantially improved its performance as measured by GDP growth relative to the UK.

**9.3** If it assumed that but for the indigenous adverse factors, the North's GDP growth would have continued during 1970-82 in the same relationship to British GDP growth as in the 1960s, it is possible to derive an estimate of 1.4 per cent per annum as the approximate average loss of real GDP growth since the violence began, representing the difference between the actual annual average growth rate of 0.6 per cent and the 'expected' growth rate of 2 per cent if the previous relationship with British growth had been maintained. This would represent a net loss to the North's economy for it already reflects benefits to the North's GDP of increased British expenditure on extra security costs and on more extensive public services. Had such expenditure not occurred the gross loss of output would have been even

greater. While some of this loss in output can be attributed to factors other than violence, it is a reasonable conclusion that violence was the dominant factor in the deterioration in the North's performance relative to that of Britain generally, to other regions such as Scotland and Wales and to the South. Any quantitative expression of the amount of loss attributable to violence is necessarily arbitrary but if it is assumed that 75 per cent of the loss is so attributable, the cumulative cost of the violence over the 13 year period would amount to some IR£3,830 million (stg.£3,490m), in 1982 prices.

### **10. Lost Jobs and Investment**

**10.1** Violence has severely affected employment opportunities in the North; one widely quoted estimate puts the gross loss of jobs at 39,000 over the decade 1970-80. (R. Rowthorn in 'Cambridge Journal of Economics' No.5, 1981). Professor Norman Gibson of the New University of Ulster has suggested that the measure of this loss in 1982 alone might be approximately IR£431 million (stg.£350m). However, this cost and that for previous years can be taken as reflected in the cumulative cost of lost output above.

**10.2** In 1982 the British Government estimated that the extra costs of security within the North (not including extra British army costs) were IR£308 million (stg.£250m). This figure reflects the growth since 1969 of over 12,000 new jobs directly attributed to the extra security costs. This job creation can hardly be seen as a benefit because it is a resource cost to the UK economy and even for the North itself it represents the diversion of resources from socially productive purposes to meeting exigencies that would not normally exist. In addition, one must also consider the long-term implications for the North's economy of distortions of costs and price structures and the resultant unfavourable economic climate for private sector investment due to the high level of resources devoted to an expanded security establishment.

**10.3** Investment levels and job creation in the North have been at a very low level in recent years. It is clear that violence and its adverse impact on the North's image with potential investors are a principal cause of the decline as compared with earlier years. In March, 1983 the Northern Ireland Industrial Development Board revealed that 60 per cent of British, German and American businessmen questioned by market research consultants for the Board said that they considered the risks of investing in the North too great. The study, based on interviews with 460 leading businessmen, found that respondents put political stability, government attitudes on nationalisation and market size as the three most important factors in plant location decisions. The North was placed 19th on a list of 20 western European countries assessed as to their attractiveness as locations for industrial plants.

**10.4** In the South, there has not been the same problem with potential investors. Queries about the violence sometimes arise at an early stage in discussions with company executives who are not familiar with the different levels of violence, North and South, but the Industrial Development Authority (IDA) has invariably been able to satisfy them that there is no ground for concern in this regard. This was reflected in the continuing

success of the IDA throughout the 1970s in attracting overseas investment to the South. For example, from 1960 to 1969 the figure for overseas investment by the IDA was IR£131 million (in current prices) and from 1970 to 1979 it was IR£1,823 million. Since 1979, however, both parts of Ireland as well as the UK have been hit sharply by international recessionary conditions but the impact has been much more severe in the North.

### **11. Damage to Tourist Industry**

**11.1** The world-wide adverse publicity arising from the continuing violence and loss of life in Northern Ireland since 1969 has proved extremely damaging to the tourist industry in both North and South. The scenes of violence on television screens in Britain, Continental Europe and North America and reports of the toll of deaths and injuries in the North suggested general unrest and danger to personal safety and, since Ireland was generally perceived by the rest of the world as a single holiday destination, the images of both North and South were damaged. Efforts to produce a more balanced image and to reassure potential holiday-makers about the geographical limits of the violence have had some success, especially in relation to the South. However, the continuing media coverage of violence and instability, especially the intensive coverage of singular atrocities and the simplistic generalisations that often accompany it have offset such efforts, to a greater or lesser degree at different times. Consequently, even though the level of violence has declined substantially, the residual effect is that the earlier impressions remain a significant deterrent to many of those who might consider holidaying in Ireland.

**11.2** These perceptions have been particularly adverse in their effects on the tourist industry in the North. The effects are graphically summed up in a comment in the Annual Report of the Northern Ireland Tourist Board (N.I.T.B.) for 1977: 'In 1974 Northern Ireland holidays could not be sold through any tour operator or travel agent anywhere in the world'. The result was that ten years of continuous and fairly rapid growth up to 1968 were succeeded by a rapid decline. By 1972, compared with the record levels of 1968, tourism revenue in real terms in the North had decreased by 60 per cent and visitor numbers by 63 per cent. Holidaymakers with no family or other personal ties with the North accounted for more than a third of total number of visitors entering the area from or via Britain in 1967 but this declined to less than 10 per cent of a much smaller total number of visitors in 1972 and to less than 5 per cent by 1976. The years after 1972 saw some fluctuations in results but by 1979 tourist revenue in real terms was only 57 per cent of its 1968 level and the total number of visitors was no more than two thirds of the number of visitors in 1968.

**11.3** In line with the decrease in visitor numbers the number of establishments offering accommodation to visitors was 39 per cent less in 1979 than in 1970; the total number of bedrooms available was down 34 per cent over the same period. The number of permanent staff employed in catering establishments registered with the N.I.T.B. decreased from 13,300 in 1970 to 8,300 in 1978.

**11.4** More recently, the slight recovery which began in 1978 and 1979 appears to have resumed, as a result of a promotional campaign directed at activity holidays such as angling and cruising.

**11.5** Nevertheless, the losses incurred over the intervening years have been considerable. For a number of reasons any attempt to quantify the cost of violence to the industry can only be approximate. There is firstly the difficulty in gauging how the industry would have fared in peaceful conditions. Secondly, there is the problem of isolating the impact of violence from other factors which emerged in the 1970s such as the consequences of the 1973 and 1979 oil crises and the subsequent world recessions, inflationary pressures and increased competition from relatively inexpensive package tours to countries such as Spain.

**11.6** In regard to the first of these difficulties a Co-operation North Study 'Tourism in the Republic of Ireland and Northern Ireland' (W. Clarke and B. Ó Cinnéide, 1981) and comments by Bord Fáilte Éireann suggest that the rapid growth in revenue in the 1960s could not have been maintained to the same extent into the 1970s. It has been pointed out that in Britain there was also a decline in domestic tourism over the period 1969-82 as holidays based on 'cold water resorts' lost their appeal against the competition of 'sunshine destinations', and that the North had a rather heavy dependence on resort-based holidays. On the other hand, it appears likely that in more favourable condition of peace, the North would have been more vigorous in developing and diversifying its tourist attractions.

**11.7** Clark and Ó Cinnéide took the view that it was unlikely that substantial further increases in the level of traffic could have been achieved in subsequent years. They considered it reasonable, however, to surmise that if the subsequent period had been free of violence, it would have been possible to earn each year the same real level of revenue as achieved in 1968. On this basis, Clark and Ó Cinnéide estimated that the violence resulted in a shortfall of stg.£280 million at current prices up to 1979 — equivalent to stg.£630 million in 1982 money values. Allowing for losses in the last three years — and it is clear from the data that the hunger strike crisis had a considerable adverse effect — the total for the period 1970-82 calculated by this method would be stg.£900 million or IR£950 million in 1982 money values. It has been suggested by Bord Fáilte that a more satisfactory way to estimate the losses would be to assume that, in the absence of violence, tourism revenue in the North would have followed more closely the trend of spending by British people on long holidays in Britain itself. If it is assumed that in peaceful conditions, the performance in the North would have been the same as that of British domestic tourism, it is possible to derive an estimate of stg.£1,230 million or IR£1,350 million at 1982 values for the loss of revenue. It may be appropriate, therefore, to take an average of the two estimates as a reasonable measure of the loss of tourism revenue to the North as a result of violence: on this basis the loss would amount to IR£1,150 million in 1982 money values (stg.£1,065m).

**11.8** In the South the continuous growth averaging 6.5 per cent per annum for export tourism revenue over the period 1960-80 was halted in 1969 and followed by a continued decline in real terms up to 1976. Indeed, if one focuses on visitors staying more than one day and excludes fares paid to Irish air and shipping companies, it was only in 1978 that receipts in real terms regained their 1969 value.

**11.9** Clark and Ó Cinnéide concluded that for the period 1970-78, the image of violence was the main contributory factor to the losses experienced. They noted that the performance of the Irish industry was poor in this period, as compared with the growth experienced in Britain, the South's closest competitor, or even as compared with the less rapid growth in tourism receipts in the OECD European countries considered as a group. They suggested that deteriorating competitiveness was scarcely the dominant explanation in that period, as both general consumer price movements and increases in the cost of hotel accommodation in the South were closely in step with corresponding changes in the UK. They considered that other environmental factors, such as economic recession and international political uncertainties, would affect all European tourism destinations more or less equally during the period in question. The authors of the study therefore concluded that the violence in the North must have been a major contributory factor to tourism losses in the period 1970-78.

**11.10** Clark and Ó Cinnéide made an initial estimate of the losses from 1970-78 by comparing actual receipts in real terms with the receipts that might have been earned on the basis of extrapolating through the 1970s the trends experienced in the period 1960-69. The loss calculated in this way amounted to IR£530 million in current prices equivalent to IR£1,480 million in 1982 money values. On the basis of a second approach taking as a yardstick the growth of real tourism revenue in OECD European countries from 1970-78 they calculated that their first estimate was, if anything, an understatement of the total loss. If one applies the methodology of Clark and Ó Cinnéide, the further losses in the period 1979-82 amounted to IR£850 million giving a total loss over the period 1970-82 of IR£2,330 million in 1982 prices.

**11.11** Bord Fáilte consider that lack of cost competitiveness may have been a significant contributory factor to the decline that has occurred in the real value of tourism since 1979. Inflation in the South was considerably greater than that in Britain, North America and the major market countries on the Continent. While for some markets, the divergence was entirely or largely offset by the effects of exchange rate movements, in other markets, currency changes fell short of compensating for the South's higher inflation and Bord Fáilte surveys of Continental tourists have revealed a marked consumer resistance on price grounds. In addition, the prices of major items in the tourists' spending basket increased considerably more than the general rate of inflation in the South. Moreover, during this period, there were a number of major atrocities and other events that had very adverse consequences on tourism, especially from Britain and the North.

**11.12** Table 19 provides alternative estimates made by Bord Fáilte Éireann of losses of potential tourist revenue throughout the period 1969-83 by market. The basis used by Bord Fáilte was as follows: they assumed that in the absence of adverse factors, revenue from the British market would have followed the trend of spending by British people holidaying in their own country. In the case of visitors to the South from the North the loss of tourism revenue was calculated by comparing actual revenue with revenue that would have been realised if the 1968 level of visits from the North had been maintained. For all other markets the actual revenue was compared with the revenue that would have resulted if the volume of tourist revenue had grown in line with the volume of foreign tourist earnings to Britain over the period 1968-83.

**Table 19:**

Market	Losses IR£million, 1982 prices
Britain	1,020
The North	194
North America	188
Continental Europe	93
Other Areas	15
Total	1,510

As indicated previously in relation to the North any attempt to segregate the proportion of tourism losses that is attributable to violence is fraught with difficulty. High travel costs to Ireland may be a significant factor and there was some loss of competitiveness even in tourist's own currencies for the particular basket of goods and services purchased by visitors especially since 1978. Nevertheless, weighing all the evidence, it appears reasonable to conclude that the greater part of the losses was caused by the violence in the North. The difference between the Bord Fáilte estimate and that (IR£2,330 million) based on the approach used by Clark and Ó Cinnéide is significant but arises from the different assumptions used about growth in tourism in peaceful conditions. Even if the lower estimate is taken and if it is assumed that 75 per cent of the loss of revenue was attributable to violence, the loss on this account would amount to IR£1,130 million (stg.£1,070 million). This figure does not include the losses in bomb damage to hotels which are dealt with under compensation payments. Nor is there any evidence from official figures that the decline in cross-border tourism in this period resulted in compensatory increases in 'home holidays' in either part of the country.

**11.13** Combining this figure with that for the North gives an estimated total loss to tourism in the island of IR£2,280 million (stg.£2,135m) in 1982 money values.

## 12. Increases in Electricity Prices

**12.1** Because of the small and isolated nature of both electricity systems in the North and South generating costs are substantially higher than in other European countries. It is accepted that the linking of both electricity systems should confer economic benefits in terms of:-

1. capital savings because co-ordinated planning could ensure that surplus reserve generating capacity needs would be lower;
2. saving in operating costs because of lower 'spinning reserve' requirements (power stations on standby);
3. economies resulting from energy trading to mutual advantage.

**12.2** An inter-connector between both systems was commissioned in 1970. During the 13 years of its existence it has only been operational for 24 per cent of the time owing to bomb damage on six occasions and has not been in service at all since 1975. Intimidation of repair teams has frustrated efforts to restore the interconnector in South Armagh. Since 1975 it is estimated by the Electricity Supply Board that the benefits lost by not having the interconnector available amounted to IR£24 million each in current money values for the North and South. These savings relate to operating costs and trading losses rather than to capital savings. Joint planning and capital programming by both electricity services began in the late 1960s in anticipation of interconnection and continued up to the mid-1970s. With the loss of inter-connection from 1975 onwards both utilities had little choice but to plan on a separate systems basis. Had continued integrated planning been possible up to the present time it is estimated that capital savings of the order of IR£180 million for the North and IR£20 million for the South could have been achieved.

### 13 Conclusion

**13.1** The violence in the North has created staggering costs in human and economic terms since 1969. Nearly every family in the North has been touched either by personal grief or injury. There are many thousands who have lost spouses, parents, children. Amongst the 24,000 injured are many thousands who continue to suffer pain resulting from loss of limbs or other permanent disability. Thousands more have to endure psychological stress and damage because of the fear and tension created by murder, bombing and intimidation. The lives of tens of thousands have been blighted. While the South and Britain have not suffered in any comparable way they have been affected by the spillover of violence, especially in terms of extra security and judicial measures.

**13.2** In addition to the appalling human costs, the violence has contributed significantly to the loss of jobs and opportunities for the people of the North. The major expenditure on security measures totalled in Table 20 below represents a serious opportunity loss because it diverts scarce public funds away from productive enterprises. There are additional costs to the British exchequer which are not included because of the difficulty in quantifying them. These include the cost to the health services of caring for those who have been physically or mentally injured by the violence and the cost to the social services of providing for the dependents of those killed or maimed. There are also the costs of reduced revenue because of the decline in GDP growth and the extra cost in terms of unemployment benefits because of the negative impact of the violence on job-creating investment and employment generally.

**Table 20: Summary of Costs of the Violence since 1969 in 1982 prices**

	IR£ million	Stg.£ million
<b>A. Exchequer Costs</b>		
Exchequer Costs to Britain and the North		
1. Extra Security Costs	4,455	4,195
2. Compensation for deaths, injuries and damage to property	1,040	1,010
3. Premium scheme for security staff	55	50
<b>Sub-total</b>	<b>IR£5,550</b>	<b>Stg.£5,255</b>
Exchequer Costs to the South		
1. Extra Security Costs	1,050	990
2. Compensation for deaths, injuries and damage to property	30	29
<b>Sub-total</b>	<b>IR£1,080</b>	<b>Stg.£1,019</b>
<b>TOTAL Exchequer costs</b>	<b>IR£6,630</b>	<b>Stg.£6,274</b>
<b>B. Economic Costs</b>		
Estimated Costs to the North's Economy:		
1. Cumulative lost output over 13 years*	3,830	3,490
2. Damage to tourism (IR£1150m or stg£1065m) included in above figure		
3. Capital and trading costs due to destruction of electricity inter-connector	205	190
<b>Sub-total</b>	<b>IR£4,035</b>	<b>Stg.£3,680</b>
*See basis for calculation in par. 9.3		
Estimated Cost to the Economy in the South		
1. Damage to Tourism	1,130	1,070
2. Capital and Trading costs due to destruction of electricity inter-connector	45	40
<b>Sub-total</b>	<b>IR£1,175</b>	<b>Stg.£1,110</b>
<b>TOTAL Economic costs</b>	<b>IR£5,210</b>	<b>Stg.£4,790</b>

**13.3** Table 20 provides a summary of the economic costs of violence. It includes the estimated direct costs to the Irish and British exchequers as well as estimated costs to the economies in the North and the South. Thus it legitimately combines estimates of output actually lost with estimates of resources that were available but which had to be diverted from socially useful purposes to meeting exigencies that would not have arisen in normal circumstances. The figure given for the cost of the cumulative loss in output in the North over the past 13 years is that estimated on the basis set out in paragraph 9.3 above. The total direct cost of the violence to the exchequers comes to IR£1,080 million in the South and IR£5,550 million in the North. In addition, it is estimated that the cost to the economies was IR£1,175 million in the South and IR£4,035 million in the North. Combining the estimates for direct and indirect costs, North and South, gives an overall estimate for the cost of violence arising from the Northern Ireland crisis over the period from 1969 to 1982 of IR£11,840 million (stg.£11,064m) in 1982 money values.

As indicated in earlier sections of the paper, elements of arbitrariness have been unavoidable in estimating some components of this aggregate figure. It should not, therefore, be regarded as a precise estimate: it is, however, a reasonable approximation to the order of magnitude of the total cost of the violence.

**13.4** Estimates of the annual losses in 1982, using the same methods as were used to derive the estimates of cumulative costs, are IR£656 million (stg.£533m) to both exchequers and IR£971 million (stg.£789m) in loss of GDP and tourism revenue to the economies, North and South. Combining these figures gives **an estimate of IR£1,627 million (stg.£1,322m) for the total 1982 cost of violence to North and South**. Of this total, the cost to the North and Britain is estimated at IR£1,297 million (stg.£1,054m) and the cost to the South is estimated at IR£330 million (stg.£268m).

#### APPENDIX I

**Table 1: (Additional detail for Table 1 in main text)**

Annual classification of the loss of life arising from political violence in the North, 1969 to 30 June 1983															Total		
CLASSIFICATION	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	Total	
Civilian	13	17	95	238	127	145	171	215	48	30	25	34	33	31	12	1233	
Elected Representative/ Political Activist		1	2	1	3	3	1				3	4	1		20		
Former member of security forces including prison service		2	2	4	3	3	6	1	6	5	5	5	7		44		
<b>Sub total</b>	<b>13</b>	<b>17</b>	<b>96</b>	<b>242</b>	<b>130</b>	<b>149</b>	<b>177</b>	<b>221</b>	<b>55</b>	<b>31</b>	<b>31</b>	<b>42</b>	<b>42</b>	<b>39</b>	<b>12</b>	<b>1297</b>	
Security	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	Total	
British Army (including TA)	43	107	58	27	13	14	16	12	38	12	11	20	4		375		
RUC and RUCR	1	2	11	17	12	16	11	23	13	8	12	9	20	12	9	176	
UDR	5	25	9	8	7	15	14	8	10	8	13	8	2		132		
Prison Officer		2	3	3	3	8	2			1	1	19					
<b>Sub total</b>	<b>1</b>	<b>2</b>	<b>59</b>	<b>149</b>	<b>79</b>	<b>51</b>	<b>54</b>	<b>46</b>	<b>31</b>	<b>68</b>	<b>31</b>	<b>44</b>	<b>41</b>	<b>15</b>	<b>702</b>		
Provisional IRA	5	15	57	28	14	9	14	5	5	5	3	11	7		178		
Official IRA	1	2	8	4	3	7								1	26		
INLA							1	1	2		1	5	2	1	13		
UDA											1	3	2	1	38		
UVF											2	1		23			
<b>Sub total</b>	<b>1</b>	<b>5</b>	<b>17</b>	<b>75</b>	<b>40</b>	<b>21</b>	<b>35</b>	<b>19</b>	<b>12</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>19</b>	<b>13</b>	<b>4</b>	<b>278</b>	
Unclassified	1	1	8	3	1	2	1	1	2		3	2	2		27		
<b>Total</b>	<b>15</b>	<b>25</b>	<b>173</b>	<b>474</b>	<b>252</b>	<b>221</b>	<b>244</b>	<b>296</b>	<b>114</b>	<b>70</b>	<b>106</b>	<b>78</b>	<b>108</b>	<b>95</b>	<b>33</b>	<b>2304</b>	

**Table 2: (Additional detail for Table 4 in main text)**  
**Agencies Responsible for Loss of Life 1 January 1969 to 30 June 1983**

Agency	'69	'70	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	Total
Non specific Republican Group	4	12	35	43	17	15	45	62	26	19	37	11	20	3	7	356
Provisional IRA	6	58	207	110	80	52	79	44	32	49	36	38	40	13	13	844
INLA							3	1	1	2	2	8	29	3	49	
Official IRA	3	5	1	3	2							1		15		
Non specific Loyalist Group	2	2	21	99	65	86	90	104	19	6	13	10	7	10	4	538
UDA (including UFF)				3	14	5	8		1	1	4	3	3	1	47	
UVF		1	1	3	17	2	2				1	1			28	
British Army	2	5	40	68	29	15	7	13	7	10	1	7	11	4	1	220
Ulster Defence Regiment				1	2						1		2		6	
RUC/RUCR/USC	7	1	5	1	2		3	2			2	6	7	2	38	
Non-classified*	15	42	12	12	20	27	11	2	3	6	12	1				163
<b>Total</b>	<b>15</b>	<b>25</b>	<b>173</b>	<b>474</b>	<b>252</b>	<b>221</b>	<b>244</b>	<b>296</b>	<b>114</b>	<b>70</b>	<b>106</b>	<b>78</b>	<b>108</b>	<b>95</b>	<b>33</b>	<b>2304</b>

\*The non classified total embraces three distinct groups:

- (1) Those incidents where it is not possible to attribute responsibility.
- (2) Those incidents where there is no direct line of responsibility e.g. certain affrays or riot situations.
- (3) The deaths of the ten hunger strikers. However, accidentally self-inflicted deaths (e.g. premature explosions) have been attributed to the agency initiating the action.

**Table 3: Industrial and Commercial Sector Damage in selected towns, 1978-83**

Belfast:	Year	No. of Awards	Stg.£m.	IR£m.
	1978-79	659	7.8	7.8
	1979-80	454	8.9	9.3
	1980-81	338	11.5	13.0
	1981-82	273	5.4	6.8
	1982-83	407	9.1	11.2
	Interim*	281	21.5	24.1
		2412	64.3	72.2
Derry:				
	1978-79	89	0.8	0.8
	1979-80	148	1.7	1.78
	1980-81	148	1.7	1.97
	1981-82	219	1.7	2.17
	1982-83	253	1.7	2.10
	Interim	99	3.5	3.87
		956	11.2	12.69
Newry:				
	1978-79	32	0.2	0.20
	1979-80	46	0.7	0.68
	1980-81	54	1.5	1.65
	1981-82	33	0.5	0.66
	1982-83	33	1.0	1.17
	Interim	33	1.4	1.51
		231	5.2	5.87
Strabane:				
	1978-79	11	0.1	0.10
	1979-80	14	0.1	0.13
	1980-81	5	0.1	0.11
	1981-82	14	0.5	0.60
	1982-83	78	0.2	0.26
	Interim	10	0.1	0.13
		137	1.1	1.33

\*Payments made pending final adjudication of award.

**Table 4: Pattern of killings in the North from 1980 to 1982**

	1980		1981		1982	
	No.	%	No.	%	No.	%
(1) Belfast and adjacent towns (Belfast alone)	40 (35)	56 (49)	56 (46)	53 (43)	39 (30)	41 (32)
(2) Rural Towns/Villages and Country Areas - non-border	6	8.5	12	11	17	18
(3) Border Towns	6	8.5	22	21	18	19
(4) Rural Border Areas - Open Country and Small Villages	19	27	16	15	21	22

**Notes:**

- (1) The category 'Belfast and Adjacent Towns' includes the following: Lurgan, Lisburn, Portadown, Holywood, Carrickfergus, Craigavon.
- (2) The category 'Rural Towns and Villages and County Areas - non-Border' includes all towns/villages and rural areas not included in Category (1) and which are at a good distance from the border. Specifically it includes, Dungannon, Cookstown, Ballymoney, Coalisland, Ballymena, Magherafelt, Lisnaskea etc.
- (3) The category 'Border Towns' includes Derry, Newry, Enniskillen, Strabane, Crossmaglen etc.
- (4) The category 'Rural Border Areas - Open country and small villages' includes for example, Castlederg, Newtownbutler, Belleek, Middletown, Aughnacloy, Keady etc.

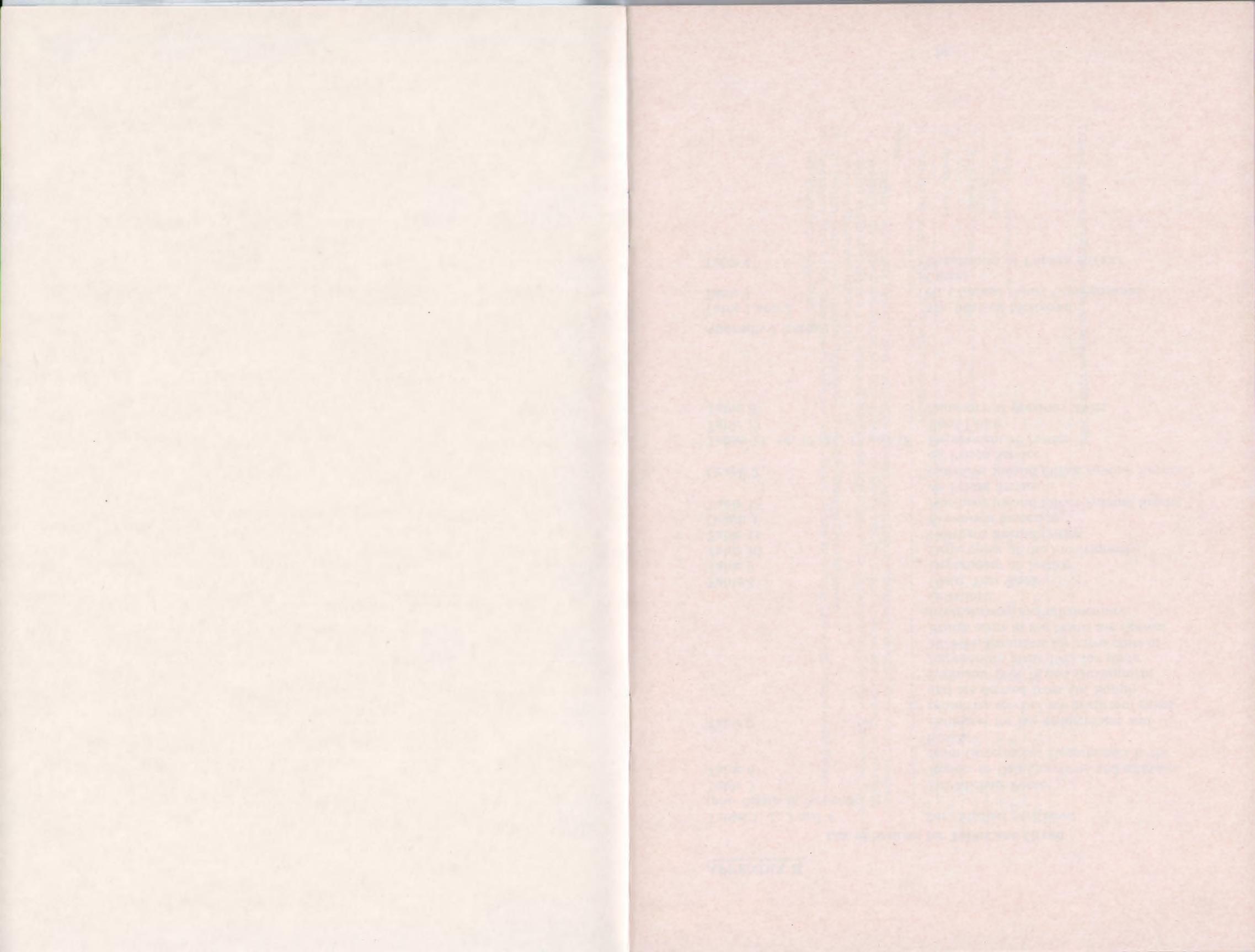
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# NEW IRELAND FORUM

The Economic Consequences  
of the  
Division of Ireland  
since 1920

# NEW IRELAND FORUM

The New Ireland Forum was founded in 1983 in Dublin City. It is a political think tank on the future of Northern Ireland and its place in a new Ireland. The Forum's main achievement is the publication of a series of papers on The Economic Consequences of Division in Ireland since 1920. This paper on The Economic Consequences of Division in Ireland since 1920 is the second paper to be published by the Forum. The first, which was issued on 3 November, 1983, concerned *The Cost of Violence arising from the Northern Ireland Crisis since 1969.*

6 December, 1983

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## **1. Summary**

**1.1** This paper analyses the economic consequences of the division of Ireland since the British Government of Ireland Act of 1920. Much of the analysis is necessarily tentative and qualified because the study, besides documenting the factual costs of division, also involves contrasting the actual development of events with the possible results of alternative hypothetical circumstances. This is in contrast to a separate study undertaken by the Forum: *A Comparative Description of the Economic Structure and Situation, North and South* which examines the performance of the two economies in greater detail, especially since the 1960's.

**1.2** One thesis that has been advanced is that the negative consequences of partition were and are considerable in economic terms to both North and South. There was disruption of trade, duplication of administration and absence of economies of scale in many sectors such as energy, transport and public services. In addition, the political tensions arising from division contributed to the intensity of the 'economic war' in the 1930's and to the divergent paths and experiences of the North and the South during the Second World War. Differences in economic policies were thus accentuated, depriving the country of the benefits of an integrated approach or policy. In addition, according to this view, the North has suffered from economic policies that are determined primarily by reference to what is deemed right for Britain and not by reference to the North's particular needs which are seen as similar to those of the South, thus calling for similar policies.

**1.3** However, a contrasting thesis that has been suggested is that there would have been few savings and relatively little net economic benefit in an independent united Ireland. According to this view the North benefitted from continued union with Britain and its export industry would have suffered loss in a united independent Ireland that faced protectionist tariffs in Britain. The benefits of the North's union with Britain, according to this thesis, include: subsidised farm prices from 1931, the boom for industry during the Second World War, the post-war extension of social services on the basis of parity with Britain and continued free access without quotas to the British market.

**1.4** It is not possible to prove conclusively that either thesis is correct but this paper, in surveying the economic consequences of division, finds that division has given rise to considerable costs, not only in areas contiguous to the border, but in many other sectors of

the economy, North and South. The paper also speculates about the benefits that might have accrued to the whole island during key periods if there had never been political division between North and South.

**1.5** It is important to note that many of the adverse consequences of division resulted, not only from the difficulties created for trade and commerce, but also from the exacerbation of political tensions that already existed between nationalists and unionists and with the British Government. For example, the first significant disruption of trade was caused by the political reaction to the border rather than by the new fiscal regulations. Before partition in 1920 Belfast was a major distributor and exporter of goods to and from all parts of the island. However, the loyalist attacks on nationalists in Belfast in 1920 were followed by a nationalist boycott of Belfast goods which halved that city's trade with the South by 1924. The disruption of commerce and trade following the establishment of the border also contributed to the disadvantaged situation of areas contiguous to the border, especially in the North-West. In addition, there developed over the years in the North a pattern of discrimination and neglect in relation to parts of the North with a predominantly nationalist population which had adverse consequences for the North's overall economic performance.

**1.6** With regard to the 'economic war' of the 1930's one could argue that it might not have happened if Anglo-Irish relations had not been dogged by the issue of partition. It could also be argued that the growth of protection from 1931 might not have been so rapid in a less charged political atmosphere.

**1.7** As against this, many Belfast businessmen feared in 1920 that the North's linen, shipbuilding and tobacco exports would have been damaged by union with the South and by separation from British markets. Nevertheless, it might well have been possible, in an all-Ireland context, to make adjustments in tariff policy to accommodate this export industry. Another way in which the North might have suffered loss by union with the South would have been through the absence of subsidies for its farm prices, which were initiated by the British Government from 1931. However, the Northern economy, suffering from perennially depressed industry, might have benefitted from the adoption of industrial policies which in the South created thousands of new jobs in the 1930's.

**1.8** In addition, the Second World War would not have had such an effect in promoting economic and social divergence if Ire-

land had not been politically divided. And after the war, while the North benefitted from the extension of state benefits in health, housing, social services and education on the basis of parity with Britain, the industrial base of a united Ireland might arguably have been able to support comparable services if there had been co-ordinated development and export policies. When the South did adopt in the 1960's a policy of actively seeking foreign investment and promoting exports, its GDP growth equalled that of the North and outpaced it in the 1970's.

**1.9** In 1965 a breakthrough in reducing the cost of partition seemed possible when the Taoiseach and the Northern Ireland Prime Minister met to discuss co-operation in economic matters. But despite many Ministerial meetings, the political tensions and suspicions, especially among a section of the unionist community, prevented real progress. From 1973, membership of the European Community benefitted both parts of Ireland but the South, because of its independence, was able to pursue and secure greater benefits than the North, particularly in regard to the Common Agricultural Policy. In 1977 and 1980 the Irish and British Governments initiated studies to review arrangements and opportunities for economic co-operation. In 1981 these studies concluded that "closer co-operation could open the way to greater and mutually advantageous rationalisation and harmonisation of effort in a range of development fields, notably between North and South". The studies have since led to some co-operation in such areas as energy, transport, tourism and fisheries.

**1.10** The division of the island has been a source of continuing costs, especially for trade and development in border areas, but in general also to the two separate administrations which have been pursuing separate economic policies on a small island with shared problems and resources. The North was not a natural economic or administrative unit and its separation from the rest of the island, resulting in separate approaches rather than a single policy for each sector, without provision even for joint planning or capital investment programmes, had heavy economic penalties. The creation of a 300 mile border, with consequent variations in taxes and subsidies, North and South, has resulted in periods of smuggling and racketeering which, besides distorting trade and undercutting revenue, have destabilised society in some border areas and encouraged an atmosphere of lawlessness. In addition, there has been duplication of effort at official and private level and an absence of economies of scale in the transport, tourism and energy sectors and in the health and education services.

**1.11** Accordingly, while the North did undoubtedly benefit in some respects from its union with Britain, the potential benefits of closer North-South co-operation could have been much greater and, it is arguable, would have compensated for the economic loss of the connection with Britain. Certainly, the advantages of planning on a North-South basis have been even more apparent since the early 1960's when the structures of both economies have become increasingly similar.

## **2. Irish Economy prior to Division**

**2.1** By the beginning of the 20th century Ireland — particularly its cities — was displaying some of the features of a developed economy. The centres of industry were Belfast and Dublin. There was a widespread network of railways and a banking system. The industries tended to be specialised and concentrated in large-scale units — in the areas of linen and shipbuilding in the North and in the areas of distilling, brewing and food production in the South. The fastest growing industry was shipbuilding which was one of the main factors in the rapid growth of Belfast's population between 1891 and 1911. There was an economic boom during the First World War when agricultural exports increased dramatically and benefitted the whole country.

**2.2** Both agriculture and industry exported over half their output, mostly to Britain. Of the European countries, Ireland was third only to the Netherlands and Belgium in exports per head. Table 1 gives comparable rates for exports per head in 1911 for eight countries. These figures show that in per capita terms Irish exports were high in 1911. The countries listed include all the important 'open' economies of the day.

**Table 1: Exports per head in 1911 (£)**

Ireland	14.9
Netherlands	36.7
Belgium	18.9
New Zealand	18.6
Australia	14.6
Switzerland	13.7
Great Britain	12.3
Denmark	9.9

(Sources for all tables and figures are given in Appendix II).

**2.3** Irish GNP was about £150 million in 1911 (according to an estimate by Professor L. M. Cullen) and, given the figures in Table 1, exports constituted about 44 per cent of GNP. A century earlier the proportion had been about 16 per cent. Using this GNP estimate and another estimate for Britain's GNP by C. H. Feinstein ("Statistical Tables" — Cambridge, 1976), it appears that the comparable income per head at this time was £34 for Ireland as a whole, and £60 for Britain. A separate study has been made on GNP rates at this time by P. Bairoch in *Disparities in Economic Development since the Industrial Revolution* (Bairoch and Levi-Leboyer (Eds) — London, 1981). He compares GNP per capita for a number of

countries in 1913 and, while the Irish figure refers to the South only, if one adjusts this figure to include the whole island, it would appear that in 1913 GNP per capita in Ireland was tenth highest in a list of 28 countries, with Britain fourth highest.

**2.4** There are no statistics measuring the volume of trade between North and South before partition, but indications are that there was steady trading even though the larger industries were oriented towards markets in Britain and the rest of the world. Both parts of Ireland tended to export their agricultural and industrial products directly to Britain, either through Dublin or Belfast ports. Belfast was a major distribution centre for imported goods to the whole island; between 1912 and 1920 Belfast's share averaged 36.7 per cent of Irish imports.

### **3. 1920-1931**

**3.1** The British Parliament's Government of Ireland Act in 1920 provided for two devolved parliaments in Ireland, one for the six north-eastern counties and one for the remainder of the country. Provision was made for joint institutions to promote co-operation and, it was hoped, integration between North and South but these were never to become operative. The Anglo-Irish Treaty of 1921 allowed for the continuation of the parliament in the North, subordinate to Britain, but accepted the independence of the South in the form of dominion status. The effect of these constitutional arrangements was to divide the country into two political units, making possible a succession of political and economic developments which set North and South on divergent paths for the next two generations. The initial years of both administrations were difficult; there was civil war in the South and sectarian violence in the North which claimed many lives and damaged both economies. As the years passed there were increasing differences in economic policy and new economic barriers were gradually raised between the two parts of the country.

**3.2** The new Government and Parliament established in the North had no powers to adjust tax rates and rates of duty, which were fixed at the same rate as in Britain. The Government thus had very limited scope to regulate its public finances and its ability to adjust expenditure to local requirements and to plan its budget depended on factors outside its control. National insurance for unemployment and health had been introduced in Ireland in 1911 at the same time as in Britain. One of the first major decisions of the new administration in the North was to keep national insurance on the same basis as in Britain. The conditions (except for residence requirements in the 1930's) and levels of unemployment benefit followed those in Britain, usually with some time lag. In the 1930's National Assistance was added to unemployment insurance, while health insurance had been brought into line in 1930. This 'step-by-step' policy of keeping pace with Britain in the provision of social services was justified by the reasoning that since the North paid the same taxes as in Britain, it should enjoy the same benefits. For example, opposition to contributory old age pensions by some unionists was overcome by reference to the principle of equal social standards with Britain.

**3.3** The cost of maintaining the British level of social services in the North during the 1920's and 1930's, when unemployment was very high, meant that the North was constantly in financial difficulties. Various efforts were made to alleviate the situation. In

1922 an arbitration committee headed by Lord Colwyn made the North's domestic expenditure, rather than its Imperial Contribution, the first charge on revenue. In 1926 the Unemployment Insurance Agreement meant that Britain contributed towards the cost of the North's unemployment benefits. Finally, in 1938 the British Government agreed to make good any deficit in the North's budget to ensure parity of services with Britain. One important result of this increasing financial dependency by the North on Britain was that regional planning and the development of independent economic policies by Belfast were inhibited by shortage of funds and by the necessity of seeking prior clearance from London. In 1939 Sir Richard Hopkins, who was the Treasury's Controller since 1927, wrote:

"Since 1931 Northern Ireland has been in effect a depressed area. So far from receiving any large Imperial Contribution we have invented a series of dodges and devices to give them gifts and subvention within the ambit of the Government of Ireland Act so as to save Northern Ireland from coming openly on the dole as Newfoundland did."<sup>(1)</sup> (See Appendix 1 for all reference notes.)

**3.4** Before 1920, there were manufacturers in the North, especially in the dominant shipbuilding and linen industries, who argued that partition would make economic sense, given the divergence of economic interest that was evidenced by nationalist support for a policy of protection. Partition, the argument went, would allow Northern industries, dependent on remaining competitive in British and world markets, to avoid the higher costs which protection would cause. Meanwhile, the South could introduce protection to the extent required to extend the area of tillage, to foster a manufacturing industry and thus provide employment for those who might otherwise be obliged to emigrate. Protection did indeed encourage in the South the growth of existing and new industry and created conditions where external competition was virtually non-existent. The result was that in the 1930's there was a considerable rise in industrial output in the South.

**3.5** While there was clearly a divergence of economic interest at this time, not between North and South but between Belfast and the rest of the island, it was also argued that the North's separation from the British fiscal system would not necessarily have been detrimental to Belfast's commerce and industries. In 1919 Belfast exported ships, linen, machinery and manufactured tobacco to the value of £49 million. The main segment of these

industries which would have suffered under the South's fiscal system in relation to Britain would have been tobacco exports to Britain, worth about £2 million. Of course, there was also a risk that Britain might introduce new countervailing tariffs on many goods against the tariffs of a united Ireland. There was the additional chance that the Belfast shipyards would lose orders from the British navy in a united Ireland, although in the event many other struggling shipyards in Britain had prior claim for such orders.

**3.6** Before partition, Belfast port was a major exporter of goods from all over the island; one estimate<sup>(2)</sup> put the value of the city's exports from the South at £14 million in 1919. By 1924 the value of goods from the South exported from all Northern ports was only £3.8 million (in 1919 prices). The major causes of this reduction in trade were the political and sectarian tensions resulting from partition. In 1920, there were sectarian riots in Belfast and expulsions of Catholic workers from the shipyards and the engineering factories. In retaliation, a boycott of goods manufactured in or distributed from Belfast was undertaken in nationalist areas of Ireland from 1920 to 1922.

**3.7** The boycott had little impact on the large industries which were not dependent on markets in Ireland. The Belfast-based banks were, however, affected as were the Southern sales of the Northern tobacco industry. The effect on the distribution trade from Belfast was more serious. Dr. D. S. Johnson<sup>(2)</sup> has estimated the North's losses in trade to the South in 1921 because of the boycott at more than £5 million. This was a very severe loss given that the total value of goods exported across the border in 1924 was £7.4 million. By 1924, Belfast's trade with the South was about half that before 1921 (about £2.7 million compared to over £5 million). The city never recovered its markets in the South and its new situation in a divided Ireland contrasted sharply with that in the late 19th century when Belfast's civic and political leaders claimed that it was the commercial and industrial capital of Ireland.

#### **Disruption of Trade Generally**

**3.8** Trade was also disrupted by the establishment of the border itself. Derry and, to a lesser extent, Newry suffered from the loss of much of their market areas in the South because of the impact of the border and its customs duties. The "North Eastern Boundary Bureau"<sup>(3)</sup> estimated in 1923 that 32,000 people in the South were cut off from their traditional market towns in the North: the people of County Donegal from Derry and Strabane, and those of County Cavan from Enniskillen. In addition, 8,000

people in the North were separated from the Southern town of Clones. The mere fact of fiscal separation, apart from the introduction of limited tariffs by the South from 1924, had a diminishing effect on the volume of commerce owing to increased carrying charges to meet the additional cost of passing goods through the customs examination. Retail trade in dutiable goods and some wholesale trade were also reduced by customs requirements. For example, the bakers and millers of Derry were badly affected by tariffs on their trade to Donegal. In a more general way, many of the counties on either side of the new border, which had before 1920 been more centrally located, now found themselves peripheral both to Belfast and Dublin. They no longer enjoyed the capacity to interact and trade with each other. A more disturbing factor was to emerge for border regions in the North because of a policy of discrimination and neglect directed against areas with predominantly nationalist populations. This development had adverse consequences for the balanced economic development of the North and is treated in more detail in paragraphs 6.8 to 6.13.

**3.9** Table 2 shows how cross-border trade, particularly South to North, declined between 1924 and 1931. Some of this apparent decline may have been partly a result of improvements in agricultural production within the North (thus reducing Southern imports) and partly because of inaccurate records (some farmers and others failed to complete the necessary documentation). While the decline in trade from North to South was much more limited, it may be partly explained by the falling prices of goods and may not amount to a great fall in volume, aggregate figures for

which are not available. To take one example, the value of boots and shoes exported from the North to the South fell by 53 per cent while the quantity fell by only 22 per cent. Furthermore, cross-border traffic in goods often went unrecorded, either because "household supplies" did not have to be disclosed or because of widespread smuggling. Nevertheless, most of the decline in trade was caused by the increasing impact of the border.

**3.10** Apart from the significant decline in Belfast's distribution trade to the South in the early 1920's and the growing disruption of North/South trade, partition's impact on the Irish economy in the 1920's was relatively limited. The two Governments pursued similar economic policies to develop agriculture and industry. Both economies sought to trade abroad in the prevailing free trade conditions of the 1920's. The duties imposed by the South on Northern goods applied only to about 10 commodities. However, after 1931 partition became much more obtrusive in economic terms under the pressure created by the international depression and the 'economic war' between the South and Britain.

**Table 2: Cross-Border Trade 1924-31**

Year	Value of cross-border trade in constant 1930 prices in £m		% UK imports from South entering via the North	% UK exports to South sent via the North	% imports to Britain from South entering via the North
	from South to North	from North to South			
(1)	(2)	(3)	(4)	(5)	
1924	9.06	6.27	19.4	14.1	4.8
1925	7.53	5.53	19.9	13.4	5.2
1926	7.17	5.36	19.4	14.0	5.4
1927	7.45	5.60	18.7	13.7	5.8
1929	7.56	5.47	17.4	13.2	5.6
1929	7.12	5.59	16.6	12.8	5.0
1930	7.35	5.77	17.1	12.7	5.8
1931	6.62	5.93	16.4	12.4	5.6

#### **4. 1931-1939**

**4.1** The 1930's were difficult years for both Irish economies. The revival of exports that had been helped by the modernisation of agriculture North and South, was set back by the international depression in the early 1930's and by widespread protection that signalled the end of the era of free trade. In the North attempts were made to relieve the resultant distress by various measures. For example, farmers were to benefit, along with British farmers, from subsidised prices for their produce from 1931. Compulsory marketing boards were established to sell eggs, poultry and pigs and there were subsidies for grain crops. Pig numbers more than doubled between 1931 and 1937. However, despite this legislation, distress among large numbers of people employed in agriculture in the North continued up to the end of the Second World War. Distress was, of course, also experienced south of the border in the agricultural community.

**4.2** In the South, the Government supported the prices farmers received for bacon, butter, milk, sugar and wheat because of the rigorous import quotas in the British market. Those counties in the South which were not suitable for wheat or sugar beet production did not have the same alternative option as counties North of the border, which had access to the British market for pig and poultry products. Consequently, the cattle industry remained the dominant agricultural enterprise in the South, even though it also faced some quotas on the British market.

#### **Further Decline of Trade between North and South**

**4.3** During the 1930's the political division of Ireland was consolidated by fresh economic divisions arising from the policies of protection which were becoming widespread in Europe and the United States. In 1931, the British Government, abandoning its traditional adherence to free trade, imposed duties on imports as protection against overseas dumping or competition. The Government in the South also introduced 43 new duties on imports in November 1931. This policy was continued during the thirties and intensified by the 'economic war'.<sup>\*</sup> In 1938 the Anglo-Irish Trade Agreement ended the annuities dispute and provided for a review

\*Agreements in 1923 and 1926 between the Governments in London and Dublin had provided for payment to London of moneys due from tenant-purchasers, that is, the annuities in respect of holdings purchased under various Land Acts. In 1932 the Government in the South suspended these payments and Britain retaliated by imposing levies on Irish cattle and other main agricultural exports to Britain with the object of recovering the value of the payments.

of tariffs against goods from Britain and the North. However, protection and the 'economic war' had already established a pattern of separate development and policy formulation between the North and South. The divergent experiences of the Second World War were to strengthen that pattern in the 1940's.

**4.4** During the 1930's North-South trade had continued to decline and the value of exports to the North was not to recover to its 1924 level until 1946. By 1936, the South's exports to the North had fallen by 62 per cent from the 1931 figure, while its imports from the North fell to one tenth of the 1931 figure. In 1938, the South's total trade with the North represented only 4.7 per cent of its trade with Britain and the rest of the world compared with 12.6 per cent in 1924. The greater part of that trade was South to North. Table 3 sets out this fluctuation in trade between 1924 and 1950.

**Table 3: Trade of the South with the North and Britain, selected years 1924-50**

	1924	1926	1931	1936	1938	1950
<b>Imports</b>						
£m current						
Total South imports c.i.f.*	68.9	61.3	50.5	39.9	28.1	159.4
From the North	7.9	6.5	5.0	0.5	0.6	2.4
From Britain	48.0	39.9	35.7	20.7	20.3	82.0
Expressed in percentage shares						
Percentage of imports						
From the North	11.4	10.6	9.9	1.4	2.1	1.5
From Britain	69.7	65.1	70.7	51.9	72.2	51.4
<b>Exports</b>						
£m current						
Total domestic exports f.o.b.*	50.3	42.0	36.3	22.5	23.5	72.4
To the North	7.1	5.7	3.7	2.3	2.5	8.5
To Britain	42.2	34.9	31.2	18.3	19.6	54.3
Expressed in percentage shares						
Percentage of domestic exports						
To the North	14.1	13.6	10.2	10.1	10.6	17.7
To Britain	84.5	82.7	86.0	81.4	83.4	75.0

\*c.i.f. — Cost, insurance and freight

\*f.o.b. — free on board

Note: Pre-1935 import figures are not comparable with latest statistics since the former were classified by country of consignment rather than by country of origin.

### Economic Development in the 1930's

**4.5** It is relevant to ask what would have been the implications for the North's industry if it had been separate from Britain in the protectionist thirties. Given the preponderance of the export-oriented linen and shipbuilding industries, there would have been a much stronger free trade lobby within Ireland; arrangements would have had to be made to ensure that the North would continue to have access to its foreign markets. But even within the United Kingdom the North had little success in reversing the decline in its share of world markets and its unemployment soared to 29.5 per cent of the insured workforce in the late 1930's. By 1939 average income per head in the North was still only 58 per cent of the UK average. For the greater part of the inter-war period the North endured all the economic problems of the most badly hit of the distressed areas in Britain. Because of its fiscal and economic relationships with London, its powers to take remedial action were not sufficient to make a significant impact on economic development.

**4.6** If Ireland had been united the burden of paying additional benefits for the large numbers of unemployed in the North would have resulted in some extra cost to the South. But as a countervailing element the economic measures for creating industrial employment in the South might have been equally successful in creating jobs in the North, especially in the area of import substitution and diversification into smaller industries. The South, for example, did create thousands of new jobs in the 1930's. In addition, the development of government agencies outside the mainstream civil service — the State-sponsored bodies — could have been usefully applied in the North to develop its resources. Finally, if there had been a united Ireland, tariff protection in the South would probably not have lasted as long as it did. It has been suggested that the maximum gains from protecting industry in the South had been exploited by the end of the 1930's. Once factories had been established to supply the domestic market in consumer goods such as clothing and shoes, the possibility for a further manufacturing expansion was limited. Income levels remained low which reduced consumer demand and the new industries were not sufficiently competitive to gain export markets. In a united Ireland the policy of attracting overseas investment to encourage an export industry might have been introduced in the late 1940's with consequent benefits in terms of industrial exports and the balance of payments.

**4.7** There has been some study of the cost to the British exchequer of its grants and subsidies to the Northern economy at

this time. Dr. Labhras O Nuallain<sup>(4)</sup> has calculated that from 1921 to 1939 the payments received, directly and indirectly, by the North from Britain totalled £31.8 million as against a total gross Imperial Contribution from the North of £29 million. Thus the net cost to the British Exchequer over this period was £2.8 million in current prices or about IR£62 million in 1982 prices.

## 5. 1939-58

**5.1** During the Second World War through the North's participation in the British war effort thousands of jobs were created in shipbuilding, engineering and textiles. The arrival of United States forces in the North in 1943 and their expenditure swelled the volume of money in circulation and helped the services and manufacturing industries. As against this, there was some increase in the level of taxation in the North and the amount of the Imperial Contribution rose, reaching an annual figure of £36 million in 1945 in current prices or stg. £400 in 1982 prices. There were, in addition, many deaths and injuries arising from the bombing of Belfast in 1941. Apart from substantial loss of life, 56,000 houses were damaged by bombing raids.

**5.2** In the neutral South there was little opportunity in the war years for developing an export-oriented industry because it was cut off from possible overseas markets by wartime conditions. However, food exports to the British market were continued and every effort was made to make the South self-sufficient, creating some new jobs. Whether Ireland's wartime role would have been different if the Northern problem had been resolved is another area for speculation. It is possible, that if there had been a united independent Ireland in the 1930's, this might have led to close co-operation with Britain which could have continued during the war. The fact, however, that the country remained partitioned with a new Constitution for the South enacted in 1937, meant that there was an added incentive to adopt a position of neutrality which, however, did not exclude "a certain consideration for Britain".<sup>(5)</sup> The divergent impact of the war on the society and economy of the North and the South tended to increase the degree of separateness in economic as in other spheres between both parts of Ireland for another 20 years.

### Social Services

**5.3** After the war the North's population benefitted from the continuation and extension of the principle of parity in social services with Britain. This provided extra benefits in health, housing, social services and education but it also added to the burden on the North's exchequer, resulting in growing financial transfers from Britain. Social services in the South did not provide a comparable degree of benefit as existed in the North until the late sixties. It is debatable whether a united Ireland with a limited industrial base would have been able to provide the same standard of benefits, North and South, so soon. Perhaps the industrial base in a united

Ireland would have been greater given the larger home market and given co-ordinated export promotion efforts and policies throughout the island. Moreover, there would have been considerable savings in a united Ireland in the administration and capital investment programmes of health and education at this time. For example, many hospitals in the North did not have reciprocal arrangements with hospitals in the South despite the savings that would have been involved. There was some co-operation, in the 1950's but this was limited to such projects as the Joint Erne Drainage and Hydro-Electric Scheme in 1950, the Foyle Fisheries Commission in 1952 and the rescue of the Great Northern Railway in 1953.

**5.4** Dr. O Nuallain has estimated that by 1949-50 Britain was spending £24.4 million in the North and retaining only £20 million from the reserved revenue (Post Office, Customs and Excise, Income Tax, Surtax etc.). In subsequent years the North was to become increasingly dependent on the British exchequer to pay for the extended social services introduced after the war on the basis of parity with Britain.

#### Post-War Economic Development

**5.5** In the South there was a consumer boom in the late 1940's which was fuelled by the release of the enforced savings of the war years. However, exports did not keep pace with imports largely because of the lagging performance of agriculture and thus the balance of payments problems persisted. The South's farmers had expected a major market for their produce in post-war Europe. Instead there was a glut due to the rapid recovery of European agriculture and the importing of cheap food from British Commonwealth countries. The North's farmers, like those of Britain, remained heavily subsidised while Southern efforts to diversify production and reduce dependence on cattle exports were largely unavailing because of prohibitive import quotas and the "cheap food" policy in its principal market at that time, i.e. Britain. Between the late 1940's and 1960 the numbers engaged in agriculture fell by one-third in the South. However, despite the British subsidies, it should be noted that the same proportion of jobs was lost in the North's agriculture.

**5.6** Whereas the wartime industry undoubtedly benefitted the North in the short term it did nothing to solve the structural problems of the export-oriented industries such as linen and shipbuilding. When the war was over the mills and the dockyards laid off thousands of workers because of reduced demand and renewed competition from abroad. The North attempted to attract foreign

investment by various incentives such as a programme of capital grants to new industries in 1954. In 1956, the Northern Ireland Development Company was founded to encourage greater inward investment. A period of economic growth followed in the 1950's which was higher than that of Britain and of the South. Between 1950 and 1962 industrial production rose by 50 per cent. Table 4 sets out comparable growth rates in the three areas from 1951 to 1973.

**Table 4: GDP Growth, 1951-73 – Average Annual Percentage Rates**

Period	South	North	Britain
1951-60	1.7	2.8	2.6
1960-68	3.8	4.1	3.2
1968-73	4.7	3.6	3.0

**5.7** In the 1950's both parts of Ireland continued to share the twin problems of unemployment and high emigration. The rate of unemployment fluctuated between 6 and 8 per cent in both parts of Ireland. Table 5 shows the comparative rates.

**Table 5: Unemployment Rates\* (%) (annual average)**

Year	North	South
1951	6.1	7.3
1956	6.4	7.7
1961	7.5	5.7
1966	6.1	6.1
1971	7.9	7.2
1981	16.1	8.9

\*Different administrative practices and methods of collecting data may lead to a slight over-estimation of the relative level of unemployment in the North. The data produced here is, however, acceptable for purposes of comparison. It is used, for example, in OECD and EEC tabulations.

**5.8** Emigration from the North was about 9,000 people (6.7 per thousand average population) a year between 1951 and 1961

**Table 6: Net migration**

Period	North		South	
	Net Migration	Annual Rate per thousand	Net Migration	Annual Rate per thousand
1926-37*	-57,651	-4.17	-166,751	-5.6
1937-51*	-67,267	-3.75	-306,679	-6.9
1951-61	-92,228	-6.73	-408,766	-14.1
1961-66	-37,701	-5.29	-80,605	-5.7
1966-71	-24,324	-3.27	-53,906	-3.7
1971-81	-80,000	-5.16	+100,000	+3.1

\*The figures for the South relate to 1926-36 and 1936-51.

and averaged 41,000 (14.1 per thousand population) a year in the same period from the South. Table 6 illustrates the trend of migration from each part of Ireland from 1926 to 1981.

**5.9** To tackle these persistent problems of unemployment and emigration, the South introduced in 1958 the First Programme for Economic Expansion which recommended foreign investment and industrial exports, in addition to agriculture, as the generator of future economic growth. There followed a more outward-looking era in the South which was confirmed in 1961 when the South joined Britain in applying for membership of the European Communities. From this time on the economic policies of North and South became more similar than at any time since the 1920's. The separate development that marked the nearly forty years since partition was replaced by parallel policies which led to convergence between the economic structures of the two parts of the country. Nevertheless, because of political division, competition for foreign investment and overseas markets ensued. If partition had not existed, the development of industry in both parts of the country could have proceeded in a co-ordinated way, without costly out-bidding and duplication. This would undoubtedly have provided a considerable saving to both North and South.

## 6. 1958-73 Industrial Growth, North and South

**6.1** At the beginning of this period the North and South showed high levels of economic growth that were made possible by export-oriented investment policies and by the prevailing buoyant international economic conditions. Both the North and the South experienced higher rates of growth than Britain in the 1960's as Table 4 showed. When the South adopted a policy of actively seeking foreign investment and promoting exports its GDP growth equalled that of the North and considerably outpaced it in the 1970's. The foundations for this take-off were laid in 1956 when the Industrial Development Authority (established in the South in 1949) was empowered to give grants to factories located in any part of the South and to provide a tax free allowance for increased exports for 15 years. It seems reasonable to suggest that the unified or co-ordinated administration of such a development policy for the North and South from the 1950's onwards would have been more cost-effective and would have made a greater impact on foreign investors.

**6.2** In 1960 the two industrial bases were of almost equal size with a value of industrial output at £169m for the South and £160m for the North. Table 7 shows how the South continued to grow in manufacturing terms from 1956, when its employment in this area was less than that of the North, up to 1971 when it was considerably higher.

Table 7: Employment in Manufacturing (000s)

Year	North	South
1956	185	167
1961	171	180
1966	179	197
1971	172	214

**6.3** The North's Wilson Report<sup>(6)</sup> in 1965 and the South's Second Programme for Economic Expansion in 1963 underlined the basic similarity of problems affecting both parts of Ireland. As in the South's Second Programme there was similar concern in the Wilson Report with creating jobs, increasing productivity and GDP, diversifying the economy and markets, establishing new growth centres, providing scientific and technical training and assisting low-income farmers. Despite this, there was little evidence of co-ordination of policies between the North and South in the early 1960's.

## **North-South Co-operation in the mid-1960's**

**6.4** A major breakthrough in North-South relations seemed possible on 14 January, 1965 when the Taoiseach, Mr. Lemass and the Prime Minister of Northern Ireland, Captain O'Neill met in Belfast, the first such meeting between leaders from the North and South since 1925. They discussed "possibilities of practical co-operation in economic matters of mutual interest". A second meeting followed a month later in Dublin when the talks touched on such subjects as physical planning, exploitation of tourist facilities, the development of natural resources and various kinds of research and development activities. During the next few months there were a number of Ministerial and official follow-up meetings. In March, a North/South agreement was announced for a joint investigation into the technical and economic possibilities of co-operation in the field of electricity with a view especially to achieving savings in costs. A North/South inter-connector was subsequently commissioned in 1970 but as is indicated in the Forum's report, *The Cost of Violence arising from the Northern Ireland Crisis since 1969*, this inter-connector has not been operational since 1975 and the resultant combined losses in trading terms and capital savings are estimated at IR£250 million to the North and South.

**6.5** The benefits of North/South co-operation in fisheries and transport and in cross-border arrangements for hospital and specialist services were also studied at Ministerial level at this time. In addition, the advantages of treating the island as a tourist unit were recognised by the establishment in April 1965 of a joint committee to examine cross-border co-operation and make recommendations for co-operation in all areas of the industry. The Taoiseach, in November 1965 in the Dail, summarised all the joint activity in the previous ten months and hoped that "discussion between the authorities of both areas and co-operation in the solution of practical problems of public concern would become such a well-established practice that they would be regarded as usual and routine".

**6.6** However, political strains, particularly opposition from sections of the unionist population in the North, were to prevent any major examination of the potential for North/South economic co-ordination for another decade until a Steering Group on Economic Co-operation was commissioned by the Irish and British Governments in 1977 (see para. 7.8).

## **Decline of Areas adjacent to Border**

**6.7** Meanwhile, the border areas remained among the most disadvantaged areas of the island and, indeed, of western Europe. The five border counties in the South are Donegal, Leitrim, Cavan, Monaghan and Louth. The seven district council areas in the North along the border are: Armagh, Fermanagh, Derry, Newry, Strabane, Omagh and Dungannon. They represent 20 per cent of the total land area in the whole island and about 15 per cent of the population North and South. The establishment of the border in 1920 had made the difficult trading and economic conditions of their location even more marginal and difficult. Not only did they lose much of their trading hinterlands but they found themselves at the periphery of two new administrative units. These areas are characterised by continuing emigration in many parts, high rates of unemployment (in some districts up to 60-100 per cent higher than the already high average rates, North and South), a major dependency on agriculture for employment and livelihood and low incomes (up to 25 per cent below average levels). In addition to these disadvantages, the security difficulties, which are not significant in other EEC countries, have added to the burden of these regions. (In 1980, the Council of the European Communities was to conclude that the magnitude of the problems required a special effort involving co-ordinated and concentrated attention on both sides of the border and that their solution would depend to a large degree on the co-operation of both the Irish and the British Governments in the European Communities).

## **Regional Disparities in Employment**

**6.8** In both parts of the country there have been long established and substantial regional disparities in rates of registered unemployment. Since the 1930's the South has endeavoured in its industrial development legislation to encourage the location of new factories in peripheral areas. In 1952 the Government in the South provided in the Underdeveloped Areas Act for designated western regions to qualify for substantially higher grant levels in relation to industrial development projects. In the North, little was done until the 1970's to prevent the decline of its three western counties of Derry, Fermanagh and Tyrone. For example, from 1945 to 1951, 77 firms were established in the North with Government support but, of these, the first to be established in Derry did not arrive until 1951. The Matthew Report<sup>(7)</sup> in 1963 established Craigavon in the eastern part of the region as a new urban centre. In 1964, the Wilson plan designated most of the growth areas for

the North also in the east. Of the 111 advance factories which the Government had built by 1974 only 16 were built in the three western counties. Another decision by the Government in the North which caused much bitterness was, following the report of the Lockwood Committee in 1966, to site the North's second university in the town of Coleraine, close to the North-Eastern heartland, and not in Derry, the second largest centre of population, which already possessed an institution with a reputable academic tradition, University College, Magee.

**6.9** A comparison of regional and local unemployment rates can be made on the basis of 1981 Census data. Figure 1 shows indices of male unemployment for Northern and Southern planning regions compared with the overall national average. It can be seen that unemployment tends to be highest in the North West of the country, on both sides of the border. The overall situation in large urban centres can mask localised pockets of severe unemployment. Fig. 1 (inset) shows a breakdown of Belfast, the only urban centre for which 1981 data is available. Since 1981 the unemployment situation has continued to deteriorate in both parts of Ireland.

**6.10** The uneven distribution of employment opportunities in the North, whereby the nationalist section of the community has done less well overall than the unionist section, has been a major source of tension and has had an adverse effect on the economic development of the North. Following the van Straubenzee Report<sup>(8)</sup> in 1973 which stated that "religious discrimination exists to some degree as a fact of life in employment in Northern Ireland today" a Fair Employment Act was passed in 1976 making discrimination unlawful and establishing a Fair Employment Agency (FEA) "to promote equality of opportunity in employment and occupations between people of different religious belief . . . and to work for the elimination of religious and political discrimination in employment and occupation".

**6.11** Research carried out by the FEA<sup>(9)</sup> has indicated the extent of inequality between the two communities. From the 1971 census the Agency estimated that while overall unemployment at that date was 8.5 per cent, Catholic unemployment was 13.9 per cent and Protestant unemployment was 5.6 per cent. While unemployment (apart from the inner Belfast area) was higher the further the area was from Belfast, in every District Council area unemployment for Catholics was substantially higher than for Protestants (ranging from one and a half times higher to three and a half times higher). Catholics were more likely to be found in occupations

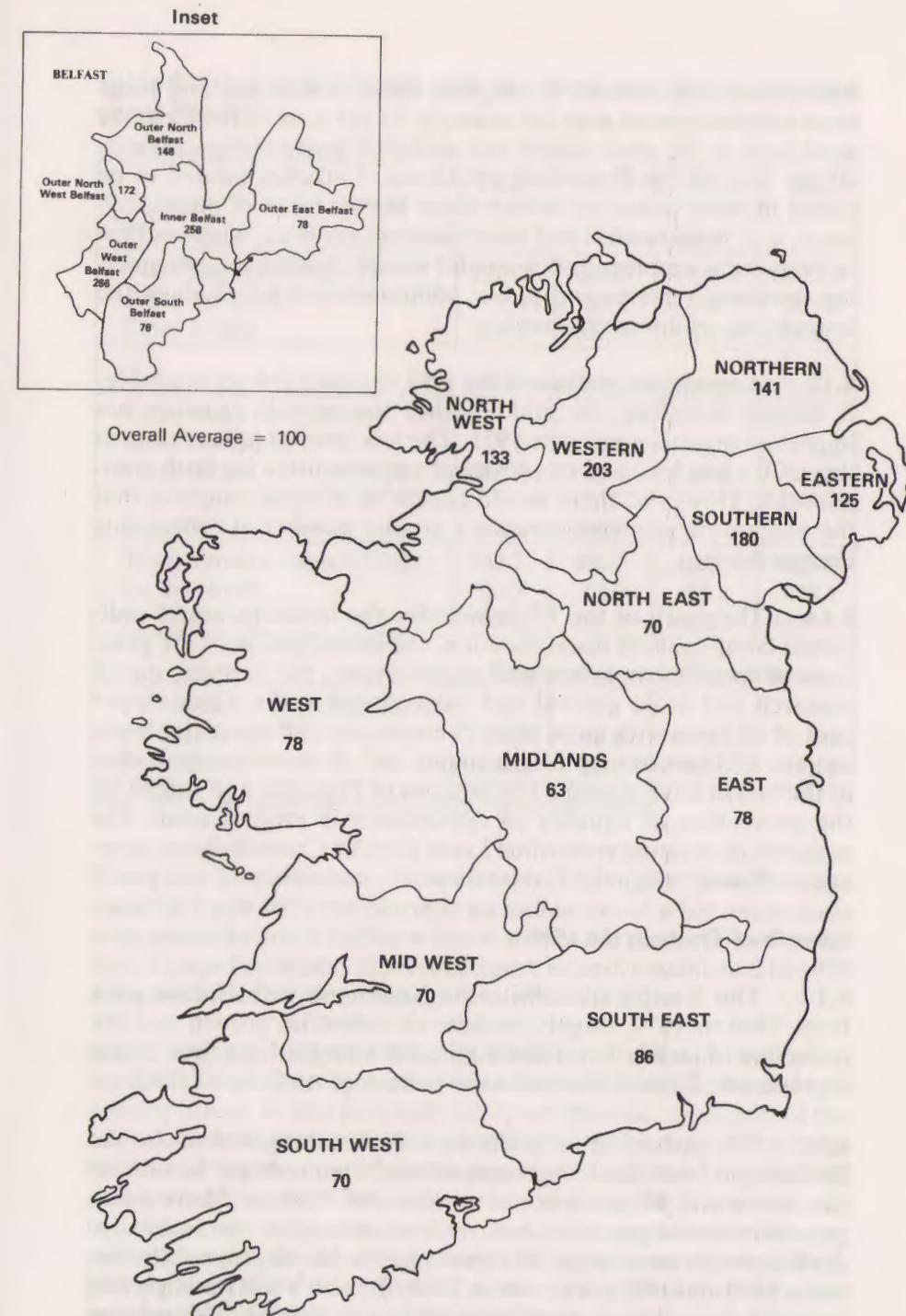


Figure 1: Distribution of Unemployment in Ireland as a whole and in Belfast, 1981.  
Source: 1981 Census.

which have experienced the highest rates of seasonal and long-term unemployment with for example 52 per cent of the Catholic workforce in the semi-skilled and unskilled group compared with 40 per cent of the Protestant workforce. Catholics tended to be found in most industries which show higher rates of unemployment, e.g. construction and miscellaneous services, whereas Protestants were employed to a greater extent in vehicles, engineering, business services and public administration which show the lowest rates of unemployment.

**6.12** A complete analysis of the 1981 census is not yet available. It cannot therefore, be said whether the overall situation has improved or worsened since 1971. The low level of job creation in the 1970's has lessened employment opportunities for both communities. However, there would appear to be some evidence that the emigration rate encompasses a greater number of Protestants than in the past.

**6.13** The work of the FEA includes the investigation of individual complaints of discrimination, the investigation of the practices of specific employers and organisations, the carrying out of research and more general and 'educational' tasks. Over 80 per cent of all firms with more than 25 employees, all the major trade unions, all Government Departments and all major public bodies in the North have signed a Declaration of Principle and Intent for the promotion of equality of opportunity in employment. The majority of unionist-controlled Local District Councils have, however, refused to sign the Declaration.

#### Growth of Trade in the 1960's

**6.14** The South's trade with the North and with Britain grew from 1960 to 1970, largely because of industrial growth and the reduction of tariffs that followed the 1965 Anglo-Irish Free Trade Agreement. Table 8 illustrates the pattern of trade up to 1982.

**6.15** The reduction in tariffs that the South agreed under the 1965 Anglo-Irish Trade Agreement was 20 per cent per annum for the North and 10 per cent per annum with Britain. There was a growth in the volume of trade in this period but there was a relative decline in the percentage of exports to the North, especially between 1970 and 1982 (as shown in Table 8), which was paralleled by a similar decline in proportionate trade with Britain. This relative decline reflects the growing diversification to Europe, the Middle East and the US of the South's exports following accession to the

**Table 8: Trade of the South with the North and Britain, selected years 1960-82**

	1960	1970	1973	1983
<b>Imports</b>				
	IR£m current			
Total South imports c.i.f.	226.2	653.8	1138.4	6812.3
From the North	7.4	30.2	42.7	307.9
From Britain	104.6	322.4	434.8	2966.3
<b>Expressed in percentage shares</b>				
Percentage of imports				
From the North	3.3	4.5	3.7	4.5
From Britain	46.3	47.7	47.0	43.5
<b>Exports</b>				
	IR£m current			
Total domestic exports f.o.b.	152.7	466.7	868.2	5687.9
To the North	20.3	53.5	82.2	418.1
To Britain	92.3	230.9	393.1	1787.1
<b>Expressed in percentage shares</b>				
Percentage of domestic exports				
To the North	13.3	12.3	9.5	7.4
To Britain	60.4	50.6	45.2	31.4

Note: 1973 export figures refer to total exports, not domestic exports.

European Communities. Nevertheless, the recent growth in the value of trade with the North is an indication of what might have been possible much earlier without the tariffs that followed partition. Coras Trachtala, the Irish Export Board, established in 1979 a special office to promote exports to the North.

**6.16** At the 1965 North/South Ministerial talks on transport, areas of potential co-operation were discussed but little further was accomplished. It was generally accepted that the allocation of the major investments between potentially competing proposals, North and South, could best be done in the context of an overall transport policy for road, rail, ports and air traffic. However, co-operation on long-term policy and planning issues did not materialise despite the savings that could have been accomplished. During the 1970's there were a number of studies with the joint sponsorship of the Irish and British Governments which focussed largely on the Derry/Donegal, Erne Catchment and Newry/Dundalk areas. Substantial aid was more recently received from the

EEC for the building of the new Foyle Bridge and for other road developments. In 1979 the commercial company Avair opened an air service between Dublin and Derry with support from the South's Department of Transport and Tourism.

## 7. 1973-83

### Membership of the European Communities

**7.1** There have been many changes in the North and in the South and in the relationship between the two areas following accession to the European Communities in 1973. The first notable change is that the structure of agriculture in the North has moved closer to that in the South although the use of MCAs has increased the cost and complexity of cross-border trade. The price-equalising effect of the abolition of trade tariffs (anticipated in the Anglo-Irish Free Trade Agreement) is counteracted by the differential in VAT rates imposed by the Irish and British Governments. Second, EEC membership has been a contributory factor in boosting overseas investment in the South. Third, membership of the Community has facilitated co-operation on issues such as cross-border development. The European Commission and Parliament have shown special sensitivity to the economic situation of the North and have been prepared to finance special programmes there. One example is the IR£70 million package for social infrastructure in Belfast. However, in 1979 economic co-operation between North and South was inhibited by the decision of the UK to stay out of the European Monetary System. The disruption arising from the subsequent breaking of North/South currency parity was but another example of how divergent economic developments could flow from the existence of separate political structures.

**7.2** Membership of the European Community has thus benefitted both parts of the island but the South, because of its independence, has been able to make greater use of it. The effects of the recession on GDP growth have been particularly severe in the North because of the added negative impact of the violence. Table 9 sets out comparable GDP rates. By 1976 agriculture in the South had availed to a greater extent of its EC membership than the North. The additional advantages for the North have not been as great as those for the South for a number of reasons. First, the North's agriculture already benefitted from British deficiency payments schemes. Second, there would be more advantages to the

**Table 9: GDP Growth, 1973-83 — Average Annual Percentage Rates**

Period	South	North	Britain
1973-79	4.1	0.8	1.4
1979-83	0.7	-0.7	-0.2

North if a specific agricultural policy could be developed rather than one on a UK basis. For example, pig and poultry farming have been reduced in the North because of the EC's restrictions on the importation of cheaper cereals from North America. Third, green pound policies and special measures including those for disadvantaged areas have been of considerable assistance to farmers in the South.

### **Smuggling and Racketeering**

**7.3** Over the years there have been intense periods of smuggling and racketeering across the border whenever excise and customs variations, North or South, made it profitable. This activity has had a very negative effect on society in border areas, directing resources into lawlessness and creating in some sections of the population a disregard for traditional values of honesty and industry. It also paved the way for, and is interlinked with, the terrorist violence that has ravaged border areas since the early 1970's.

**7.4** It has been, however, difficult to quantify the economic effects of smuggling particularly in distorting the development of the two economies. The entry of both parts of Ireland into the European Community in 1973 has in recent times led to a revival of smuggling because of anomalies in farm subsidies in the Common Agricultural Policy and the different value added tax rates. One estimate<sup>(10)</sup> suggests that at the period when the MCA's were at their greatest — in 1980 and early 1981 — frauds on EC funds were probably running at the rate of some 15 million EUA (IR£11m.) per annum. The smuggling of livestock since the mid 1970's has been considerable. One estimate was that in 1981 alone about 100,000 cattle or approximately £57 million worth were smuggled from the South to meat plants in the North. At other times the flow has been in the opposite direction. A consequence of this has been that meat plants in both parts of the country have suffered from considerable fluctuations in throughput. There has, in addition, been considerable smuggling in consumer goods which has resulted in severe revenue losses to either North or South depending on where the financial advantage for avoiding excise taxes has arisen over the decades. For example, it has been suggested that the South, because of smuggling and widespread use of duty-free allowances, is currently losing IR£50 million a year in lost revenue. An additional problem has been the damage caused to trading centres that have lost their markets, albeit temporarily.

### **Duplication and lack of co-ordination**

**7.5** The most obvious cost resulting from partition has been the duplication of administrative machinery at state, semi-state and private sector level. The existence of two administrations in a small island of 5 million people has been expensive in itself because of the extra personnel costs. But there is also the cost caused by the lack of co-ordination on capital investment programmes and on long-term planning. This has been especially so in the areas of education, health, energy and transport, industrial training and research and development.

**7.6** Co-operation in areas such as health and education has made little progress in recent times despite contact at official level. In the past 15 years, for example, the North has built 3 new area hospitals along the border in Newry, Enniskillen and Derry and the South expanded its hospital facilities in Letterkenny and Sligo. Undoubtedly there is scope for savings if these hospitals could rationalise their services to a greater degree for the benefit of people on both sides of the border. A similar problem exists in relation to the location of industrial training centres. This has been referred to in the Anglo-Irish Joint Studies undertaken in 1981.

**7.7** Prof. John Whyte has done a preliminary study to estimate the permeability of the border in relation to the operation of private organizations.<sup>(11)</sup> Table 10 summarises his findings that the majority of organisations operating in both parts of Ireland do, in fact, observe the border. They operate either within the South alone (467 bodies) or within the North alone (222 bodies). However, a substantial minority (217 bodies) or 21 per cent of the total operate across the border, either on an all-Ireland basis or a British-Irish one. Moreover, Professor Whyte suggests, this figure underestimates the extent of such cross-border activity. First, many bodies which formally confine themselves to one side of the border will in practice accept members from the other side if people wish to join. Second, many bodies which operate on one side of the border have affiliations to a body on the other side. Third, the largest organisations such as the Churches and trade unions tend to be the ones most likely to cross the border. It can be noted that trade associations are the group most likely to operate separately on either side of the border, largely because of the disruptive effect of the border on North/South trade. It should also be noted that even all-Ireland bodies often have a separate branch office in Belfast, while British-Irish bodies often have separate branches in Dublin and Belfast. On balance, these findings would certainly suggest that the border has led to some organisational and

administrative duplication in the private sector, with concomitant costs. It has also restricted the economic benefits that might be derived from the pooling of experience and from the development of professional and related business contacts.

**7.8** In addition, there are other fields, such as the media and individual business firms, where the border has directly or indirectly led to disruption of markets and the introduction of obstacles to commerce. In business there has been the cost in time and money of coping with customs and other border formalities as well as with separate commercial regulations, North and South.

**Table 10: Effect of Border on operation of Private Organisations Area of operation**

Type of organisation	The South	North and South	British and All-Ireland	British and the North	The North	Total
Churches and Church-related	2	48	13	1	—	64
Youth and Sporting	55	45	2	3	42	147
Cultural and Scientific	23	29	1	6	27	86
Charitable and Welfare	38	8	9	29	25	109
Professional Associations	99	14	24	24	19	180
Trade Associations	182	2	1	20	90	295
Trade Unions	68	5	16	44	19	152
Totals	467	151	66	127	222	1033

#### Co-operation Studies between North and South

**7.9** In 1977 the Irish and British Governments set up a Steering Group on Anglo-Irish Economic Co-operation to review the arrangements and opportunities for economic co-operation with particular reference to Northern Ireland. A report by the two Governments in 1978 reviewed 32 areas of existing North-South co-operation and identified possibilities for greater contacts in such areas as joint promotion abroad of Irish products, energy, tourism, agriculture, drainage, education, health and social welfare services. While there was follow-up action in a number of these areas,

this was relatively limited and almost certainly insufficient to offset the costs deriving from the operation of two separate systems. Four cross-border studies, jointly commissioned by the two Governments, reported between 1977 and 1980 on Derry/Donegal communications, Mourne herring fisheries, Newry/Dundalk tourism and transport, and on tourism and communications in the Erne Catchment area. The reports are in various stages of implementation. Within this framework in 1980 the Council of the European Communities, following a joint submission by the Irish and British Governments, joined the two Governments in allocating IR£32 million to the development of tourism and craft industries in border areas. In October 1983, negotiations for the sale of Kinsale Gas to the North were agreed. This project is expected to save about 1,300 jobs in the North, enable it to retain its gas industry and provide an important market for the South.

**7.10** In December, 1980 the two Governments commissioned joint studies on, among other matters, economic co-operation and measures to improve mutual understanding. The studies were concluded in November, 1981 and took note of the large amount of bilateral co-operation already existing between public, semi-state and private bodies. They concluded that "closer co-operation could open the way to greater and mutually advantageous rationalisation and harmonisation of effort in a range of development fields, notably between North and South. In particular, co-ordinated or joint efforts could be of advantage to the deprived border areas". Among the subjects considered were industrial development, particularly of small and craft industries, trade promotion, industrial training, tourism, science and technology, broadcasting of television and radio programmes direct to homes from satellite and co-operation in the field of animal and plant health. Measures for improving mutual understanding were considered as follows: greater contact between vocational and community relations groups in both parts of Ireland; increased exchanges between teachers and inspectors as well as between pupils and students in the field of education; the greater use by students from the South of tertiary educational facilities in Northern Ireland to be explored and a formal scheme for exchange of officials to be established. While the 1977 and 1980 studies have been helpful in suggesting areas of co-operation, there is a widespread feeling that they have not yet been implemented to the degree that might have been anticipated.

**7.11** The two economies in the North and the South have by the early 1980's become far more similar than they were at any time

since the industrialisation of the North-East or since the establishment of the border. Agriculture has developed similar characteristics within the EEC, the relative size of the industrial sectors is roughly similar and productivity appears to be about the same. However, there is a major difference in that the South is in a position to pursue independent economic policies, suited to its particular economic circumstances. For example, in exports promotion the South has the comparative advantage of an agency that can quickly make local adjustments to avail of opportunities in export markets whereas the North has no direct function in foreign trade, and export promotion of its products is but one element in overall UK export promotion. A further example is that throughout the 1970's the South had a more marketable and effective system of incentives for industrial investment; because the North was not independent in this area of policy, there was considerable delay before its system was adapted to be more competitive with that of the South. In this connection it is worth noting that British companies were estimated to have invested Stg. £1.3 million in the North between 1976 and 1981, compared to Stg. £57 million in the South.

**7.12** Professor Louden Ryan of Trinity College, Dublin made the following statement to the Forum on this matter:

"The South is an independent State. Despite EEC commitments it 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 . . . .

"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 . . . .

"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."

## 8. Conclusion

**8.1** By 1983 many of the benefits which the North had been receiving by virtue of its union with Britain were also available in the South and standards of living, based on purchasing power parities, were broadly similar. For example, the guaranteed prices and deficiency payments, which farmers in the North had enjoyed since the 1930's, have been replaced by the CAP which operates North and South. The North's preferential trading agreements with Britain no longer apply in the Common Market of the EC. Meanwhile, the South has improved its social services considerably so that standards of health and education are broadly comparable; rates of social security benefits are generally higher in the South in terms of purchasing power, although conditions of eligibility are less restrictive in the North.

**8.2** While much of the convergence in economic and social terms between the North and the South has occurred since the 1960's, even for the earlier decades when the North (by virtue of its union with Britain) had some benefits that the South did not, a united Ireland could arguably have created compensating benefits of a general nature for the North and for the country as a whole. For example, there would have been considerable savings in the avoidance of duplication and the provision of joint planning and capital investment programmes in sectors such as energy, tourism, transport, fisheries and in many services. There would have been lesser but, nevertheless, significant savings in preventing the disruption of commerce and trade by a 300 mile border which made the difficult trading and economic conditions of the counties around the border even more difficult and peripheral.

**8.3** Furthermore, to take the hypothesis of a united Ireland, it could be argued that such an Ireland would have developed its export oriented policy earlier than did the South or North separately, especially if one accepts that the maximum gains from protecting industry in the South had been exploited by the end of the 1930's. Thus, even if there was a divergence of economic interest between the industrial region around Belfast and the rest of the island in the 1920's and 1930's, the growing similarities between the two economies after the Second World War meant that there was a loss of savings because of the failure to avail of economies of scale, and a loss of effectiveness because of the failure to promote exports and seek industrial investment on a North-South basis.

**8.4** The political division of the island has given rise to other costs. The recurring violence in the North, with its terrible human and economic losses during the past two generations, would not have been possible if the two traditions in Ireland had been encouraged to reach accommodation rather than have their differences intensified by the nature of the 1920 proposals. Moreover, the growing dependency of the administration in the North on financial support from Britain, evident since the 1930's, has meant that in the North policies are determined primarily by reference to what is deemed right for Britain and are not likely to be those that best suit the needs of a peripheral region. The North's financial dependence on Britain has recently grown to such an extent that the British Government subvention in 1981-82 represented about 31.5 per cent of the North's GDP.

**8.5** Another economic consequence of the 1920-25 political arrangements has been an uneven distribution of unemployment and housing in the North, whereby the nationalist section of the community has done less well than the unionist section. This has been a major source of tension and alienation and has had an adverse effect on the balanced economic development of the North. Nor has the economic potential for greater North-South co-operation been allowed to develop, even when that potential was evident, as it was in the 1960's. A major breakthrough had seemed possible following the Lemass/O'Neill meetings but political tensions, including opposition from a section of the unionist community in the North, prevented any major progress.

**8.6** This paper began by referring to the necessarily tentative and qualified nature of much of its analysis. As the paper ends it is, nevertheless, possible to conclude that partition and its failure to provide political stability have resulted in extra costs in many sectors and have inhibited the socio-economic development of Ireland, especially in the North. Division has had an adverse effect on the general ethos of society and has contributed to a limiting of perspective, North and South. Had the division not taken place, or had the nationalist and unionist traditions in Ireland been encouraged to bring it to an end by reaching a mutual accommodation, the people of the whole island would be in a much better position to benefit from its resources and to meet the common challenges that face Irish society, North and South, towards the end of the 20th century.

## APPENDIX I

### Reference Notes

1. Quoted in "The State in Northern Ireland" (Bew, Gibson & Patterson) from document for Sir F. Phillips, 8 February, 1939. *Page 14*.
2. "Handbook of the Ulster Question", issued by the North-Eastern Boundary Bureau, Dublin, 1923. *Page 15*.
3. "Handbook of the Ulster Question", Page 123. *Page 15*.
4. Labhrás Ó Nualláin — "Ireland, Finances of Partition" (Dublin, 1952). *Page 22*.
5. Taoiseach Eamon de Valera to German Ambassador, 31 August 1939, quoted in Joseph Carroll — "Ireland in the War Years", Devon, 1975. *Page 23*.
6. Prof. Thomas Wilson's 1964 report on Economic Development in Northern Ireland. *Page 27*.
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8. Annual Reports (Nos. 1-6) and Statements of Account of the Fair Employment Agency for Northern Ireland. *Page 30*.
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10. Annex to report for European Parliament's Committee on Budgetary Control, 16 April, 1982 — Draftsman: Mr. Ben Patterson. *Page 36*.
11. Prof. John Whyte — Paper on "The Permeability of the United Kingdom — Irish Border" — to be published in *Administration*. *Page 37*.

## APPENDIX II

### Sources for Tables & Figure

Table 1: Figures are based on published official trade data.

Table 2: D. S. Johnston in "Plantation to Partition", Essays in Ulster History in honour of J. L. McCracken (Ed. by Peter Roebuck) (Belfast 1981).

Table 3.: Gibson and Spencer (Eds.) "Economic Activity in Ireland" (Dublin, 1977) and Trade Statistics of Ireland.

Table 4: Northern Ireland Economic Council Reports and OECD National Accounts.

Table 5: Labour Force Surveys and Northern Department of Manpower Services.

Table 6: Mary E. Daly — "Social and Economic History of Ireland since 1800" (Dublin 1981).

Table 7: John Simpson in "Northern Ireland, Background to the Conflict", (Belfast 1983) Ed. John Darby.

Table 8: As for Table 3 above.

Table 9: As for Table 5 above.

Table 10: Prof. Whyte in Paper on "The Permeability of the United Kingdom — Irish Border.

Figure 1: 1981 Census returns for North and South.

## APPENDIX III

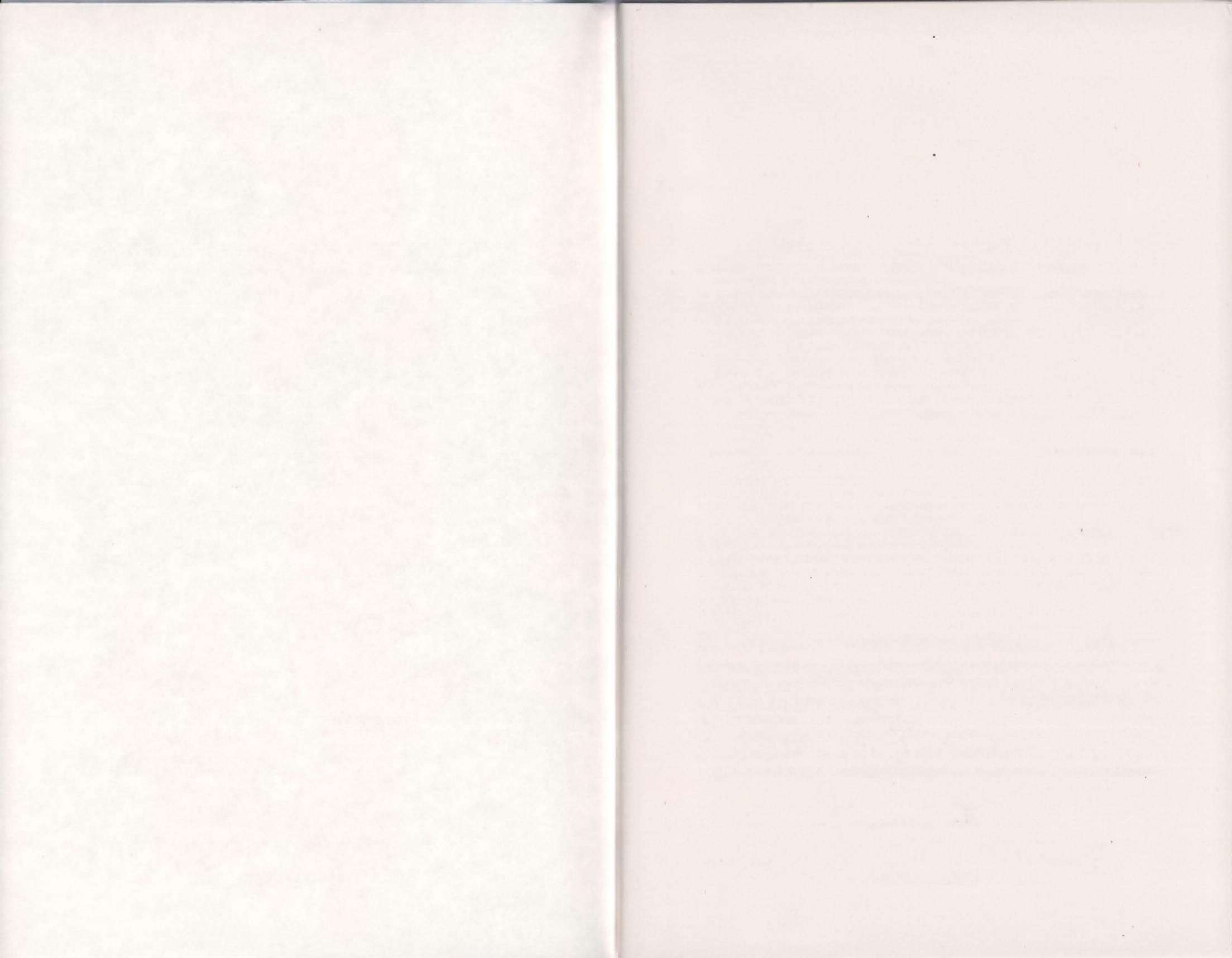
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*Among the General Histories and studies consulted were the following:*

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