

# NATIONAL ARCHIVES

## IRELAND



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STRICT EMBARGO

19 Hours, 21st May, 1977

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Address by the Taoiseach, Mr. Liam Cosgrave, T.D.,  
at the Fine Gael Ard-Fheis, Mansion House,  
Dublin, on Saturday, the 21st May, 1977.

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### INTRODUCTION

On these occasions it is customary to review events at  
least over the past year. I intend to follow this course now.

### THE ECONOMY

Our economy is influenced to an unique extent by what happens  
abroad. This year merchandise and service exports will  
probably be equivalent to more than 50 per cent of all we  
produce. To say that in recent years the international  
environment has not been kind would be grossly to understate  
the difficulties. It has, in fact, probably been the most hostile  
for trade, business and industry - apart from the war years -  
since the great depression of the 1930s.

It is against this background that the events here of the past few years should be judged. Unemployment went up - but it did not rise by as much as it did in other countries. In Denmark, for example, unemployment in 1976 was almost three times the rate it had been in 1974. Germany has seen its unemployment almost quadruple. In the Netherlands the rise was similar. In the United Kingdom unemployment has more than doubled. We have problems here - and nobody can minimise them. But the increase has not been anything as great, proportionately, as in those countries. And this year, according to the European Commission, this country, Germany and the Netherlands will be the only countries in Europe where unemployment is likely to decrease significantly.

The problem at the core of our difficulties in reducing unemployment is inflation. Some people speak as if this had been invented only in the last few years - or that it is entirely a native phenomenon. Let us look at the record.

Between 1967 and 1968 prices rose by 4.5 per cent. In the following year they went up by 7.4 per cent. The year after that it was 8.2 per cent, then 9 per cent and between 1972 and 1973 the rate of increase was 11.4 per cent. In other words, in this short period the rate of price increase nearly trebled and the process was almost continuous. There was no sign of its ending.

Those were normal years in that we did not have to contend with the quadrupling of oil prices and the fantastic rise in the price of raw materials. In fact, between 1970 and 1973 the price of what we imported went up by only 25 per cent. But between 1973 and 1976, import prices went up by more than four times as much - by almost 110 per cent. In the four years to 1976 we paid out almost £800 million for our oil imports, as against £189 million in the previous four years. Increases of this magnitude for essential commodities work their way through the entire economy and affect every aspect of it. These figures are a measure of the conditions with

which we have had to contend in the prices field alone in recent years.

We have, of course, acted to cushion our people against the pressures on our price level. We introduced a range of subsidies on basic essentials in family budgets and we increased these when necessary, most recently to offset the effects on the prices of dairy products of the EEC farm price review. These subsidies will cost the Exchequer up to £53 million this year. Without them, the Consumer Price Index would be higher by about 3 per cent. The benefit to those on lower incomes, who spend a larger part of their income on these basic necessities is, of course, considerably greater.

Despite the difficulties I have mentioned, industrial earnings went up by about 112 per cent in the four-year period to March last, compared with a rise of about 90 per cent in the Consumer Price Index. <sup>The increases in the rates of</sup> /welfare payments are substantially above the price rise. And farm incomes are also well ahead.

Imports alone do not determine prices. What we get for our exports has a big influence. So does what we do at home. If we pay ourselves too much, we automatically drive up prices. And if we try to expand public services too quickly, this fact also is reflected in prices. The extra taxation causes inflation, directly and indirectly.

For the first time in almost a decade the rate of price increase has fallen, in a reasonably steady fashion, over a worthwhile period. In the year to last November, the Consumer Price Index rose by 20.6 per cent. In the year to February, 1977, it rose by 16.6 per cent. In the year to this month, it will have risen by something of the order of 13 per cent. And this decrease will probably be maintained, with minor fluctuations, in the rest of the year, unless some unforeseen events distort the trend.

There are fundamental reasons why inflation can destroy any society. It causes untold misery to those on fixed incomes; it transfers wealth, without risk and without effort, to those who have it; and it destroys the flow of investment for productive work. It benefits those who manipulate money more than those engaged in industry. And by favouring those who have physical assets, at the expense of those who have not - whether they be young farmers, businessmen or anybody else - it induces economic stagnation. Thus it can alienate whole sections of society from any belief in the justice of traditional standards and values, on which social stability and economic growth depend.

But there is a greater evil than those distortions and inequities. Inflation does not create employment, it destroys it. The control of inflation is, therefore, a necessary precondition to solving the most untractable of all our problems. Only if we do this can we create the environment in which people who want work can find it in this country.

We cannot dictate to persons abroad the prices at which they will sell their goods to us. But we can determine the rate at which we ourselves cause prices to rise.

It is for this reason that the Government particularly welcomed the most recent National Pay Agreement. The increases under that Agreement, with the tax changes in the Budget, will give many people increases in take home pay varying from 12 per cent to over 20 per cent. Increases of this magnitude would have been utterly impossible through either the budget or wage negotiations alone. They will maintain, more or less, the real value of earnings during the currency of the Agreement. But what is even more important is that the Agreement will, in fact, help to increase employment.

The other major contribution to increasing employment which we can make lies in the way we manage the public finances. We hear and see everywhere demands for more public expenditure, on this project or that project. Many of



these have merit. Often projects financed by the Government create employment, directly and indirectly, and yield taxes on incomes which would not otherwise exist. But proposals for additional projects must be viewed against the fact that we already have one of the highest levels of public expenditure in Europe. And the level of borrowing to finance this expenditure, at 11 per cent of GNP in the current financial year, is also among the highest.

But what is an even greater constraint is the fact that

increases in Government expenditure - whether they are financed by borrowing or otherwise - lead to increases in taxation. And these inevitably increase prices. By doing so, they contribute directly and dangerously to making this country less competitive - and, therefore, less able to provide work.

The size of the loans, etc. issued to finance public expenditure has been increasing in relation to our resources, not for the

past year or two, but in almost every year without exception since at least 1960. Thus, debt service, as a percentage of GNP at factor cost, has risen from 4.8 per cent in the early 1960s to approximately 10 per cent this year. At an estimated £448 million, it is equivalent now to about 30 per cent of the estimated yield of Government taxes. No Government could contemplate, with equanimity, the prospect of an ever-increasing proportion of the nation's resources disappearing in debt service - much of it abroad.

I am not arguing that the Government should not use their resources to the maximum extent directly to create employment. In fact, this year the Government increased substantially the employment-creating content of the Budget - with extra spending on educational buildings, on industrial incentives, on hospital and farm modernisation, on telephone development, on construction programmes and on industrial projects.

What I am saying is that these programmes should not be pushed as something new. They are the oldest and most conservative of all the many prescriptions for our ills. Because of the number of times they have been tried before, their scope is becoming ever more limited.

What a Government do, therefore, must be directed to a far greater extent than ever before to the creation of employment which is self-sustaining in every respect. They must see that the programmes themselves do not create a burden of debt so great that they inhibit effort in other fields.

Industrial employment went up by about 5,000 in the year to December, 1976. This year, if all goes well, it should rise by a further 10,000. And the IDA target for the job content of new industrial projects to be approved this year is the highest ever - at 23,000 new jobs. These figures will be supplemented by employment in services - and, with greater prosperity in agriculture, possibly, at the

least, a decrease in the rate of disemployment in that sector - ~~where~~ the number at work has fallen by more than 130,000 in the fifteen years to 1976.

These figures indicate substantial recovery from recession. But they are not enough. There is no sudden or easy remedy for the most persistent and most difficult of all our economic problems - the provision of adequate employment. One thing is certain, if this country is to realise its potential, it must break out of the old moulds - the old remedies which have seen Governments, in turn, repeat the remedies of their predecessors, with ever decreasing effectiveness.

This is why I would place so much emphasis on the ground broken in the last Budget. It provides a wide range of incentives to industry to increase employment and growth, and what may be even more important, it encourages individual effort and initiative.

We have great advantages. We will soon have a full access to a market of 260 million people for the products of an agriculture service and industry. We have considerable mineral wealth. The resources of our seas are hardly touched. Over the past few years, large sums have been invested in the industrial infrastructure and in providing training for our work force. There is potential in all these means which is, as yet, barely tapped.

We must, by the way in which we manage incomes and industrial policies and our public finances help to create a climate in which enterprise can grow - supported and encouraged where necessary by the State. That is the basis of our economic strategy, of which the budget is an expression. For it is on the effort and initiative of the individual, given the greatest freedom compatible with rules of a civilised society, that fast and sustainable growth can be based, and employment provided, within our shores, for the people who want it.

SOCIAL REFORM

There is no necessary contradiction between economic growth and social reform. In fact, one is a necessary precondition of the other. We cannot talk about redistributing wealth, if the wealth is not there in the first place. And, obviously, the more successful we are in getting growth, the more there will be to finance the welfare schemes which are so easy to dream up in isolation from the economic realities.

In fact, the objective of growth must always be social. It must be to make this country a better place for all its citizens.

This Government have transformed the level and quality of social services, with higher and more widely spread benefits - earlier old age pensions, new categories of beneficiaries such as unmarried mothers, families with handicapped children, single people with dependent elderly relatives, etc. Our

social welfare system is no longer the reproach to us that it used to be. The rates of all Social Welfare payments have been increased substantially - by up to 130 per cent for personal rates and by up to 220 per cent for child dependants. Childrens' allowances have been increased by about 160 per cent for an average family.

We will continue the struggle to eliminate poverty and under-privilege, counting on the willingness of the better-off sections of our society to contribute, according to their means, to the less well-off and those handicapped by age, illness and unemployment.

### HOUSING

This Government have broken all records in the provision of housing. In the last four years over 100,000 houses have been built - an average of 25,000 houses per year - compared with a yearly average of only 10,000 per year during the sixteen years' office of our predecessors. Officially sponsored sub-standard building has been done away with, and standards of construction have been raised.

While we will continue all efforts necessary to overcome the housing shortage, and to ensure that the quality of our housing stock is improved, the National Coalition intend also to strengthen controls over building firms so as to ensure that new estates are completed - including the finished provision of open spaces and other amenities - in strict accordance with the terms of their planning permission.

#### RENTS, RATES AND TAXES

The National Coalition Government have revolutionised both central and local taxation, about which so many promises had previously been made but about which nothing previously had been done. We abolished death duties; we substituted an equitable tax on wealth, payable during life; the farming community will also contribute, on their profits, like any other section of the community, though with special provisions to have regard to their special problems; we removed V. A. T. from food and medicines. We removed health and housing charges from the rates, and then cut domestic rates by 25 per cent.



We propose to continue to ensure that, while the revenue necessary for running the State is raised, it will be raised fairly and equitably as between different sections and that the taxation system is so framed as to encourage enterprise and economic growth.

#### FARMERS AND FISHERMEN

The benefits of E. E. C. membership have been maximised, thanks to the tireless efforts of this Government's Ministers, for the advantage of the Irish farmer, for whom the bad old days of low and fluctuating prices are only a memory. In 1976 the E. E. C's Common Agricultural Policy was worth £250 million to us, an enormous sum from which the whole economy will benefit. Making full allowances for inflation, farmers and their families were over 50 per cent better off in 1976 than in 1970 and further substantial increases are expected this year. Technical know-how, confidence and investment

are all increasing among the farming community. Fishermen have had the special status of their industry officially recognised by the establishment of separate Minister and Department. In the E. E. C. we have done our best to secure a suitable permanent fishing régime, not fearing where we thought it necessary to impose and to enforce an exclusive fishery limit to conserve threatened fish stocks.

### EDUCATION

As the National Coalition promised, compulsory Irish was abolished and the language was encouraged by other means. In consequence, it is no longer an object of hostility in the schools, while the cultural values associated with it have been fostered in the most positive way by the strong development of the Gaeltacht, which has doubled the jobs there in four years, and actually halted the population decline. Investment in school and higher education rose by 170 per cent between 1973 and 1977. Boards of Management were established in primary schools; the status of the National Institute for Higher Education in Limerick was recognised for purposes of conferring degrees. Conscious of the vital importance of education, technical and vocational as well as academic, to the social and economic development of the country, we will build further on these impressive foundations.

NORTHERN IRELAND

Our policy on Northern Ireland is clear and unambiguous. Since its formation in 1973, the Government has worked consistently to reduce tension within Northern Ireland, to reduce tension between the North and South and to end violence in Ireland.

We have not sought the easy headline. Nor have we changed the our policy to suit / prevailing wind.

We have not achieved our objectives - but then four years is not a very long time in trying to deal with a problem which is centuries old. But we have made considerable progress. An increasing degree of trust has been established in North-South relations and the Government has secured a degree of respect from both sections of the Northern Ireland community to an extent never previously achieved. The removal of North-South tensions has created a more favourable climate for political developments within Northern Ireland.

Recent events have, if anything, confirmed the basic validity of our policy. They have demonstrated again the integrity and decency of the majority of the Northern people - who look, above all,

for the establishment of conditions where men can work without fear, where the shadow of the gunman does not fall, and where the entire community has equal respect for the law, impartially enacted and enforced.

We here will do all we can to help the people of Northern Ireland to attain these conditions. We have done everything possible to ensure that our territory will not be used as a base for a murder campaign in Northern Ireland or in Britain.

We will continue to fight political violence from whatever source it comes and however it is motivated. The present campaign is conducted by a small group of ruthless anarchists. Their front organisations have never at any election, North or South, in recent years polled more than one or two per cent of the votes.

Yet these self-appointed defenders of the people arrogate to themselves the right to kill and maim their fellow men without scruple and without pity. Their actions desecrate the cause they are supposed to advance, and disgrace the name of Irishmen.

But what is even worse is the utter futility of what these men are doing. Their campaign seeks to create by force the conditions for the local majority which the men of violence themselves now profess to be fighting against on their own behalf. Do they expect others to accept what they will not tolerate? Do they think they can create a stable society if one-half or one-third of the population regard themselves as held in jeopardy - and live in fear? Government survives on consensus. Economic progress and welfare depend, at minimum, on acquiescence - and, at best, on co-operation. These cannot be bought with the bomb and the gun.

The Government here recognise that a campaign against violence, in itself, is purely negative. It does not amount to a policy for political, social, or economic regeneration. But peace - or the end of violence - is a basic prerequisite without which no other policy can survive. A society cannot flourish if law and order are not maintained. And no community can prosper if a substantial majority within it withhold their consent to government. It is a fundamental tenet of our policy that stability will return to Northern Ireland only if both sections participate in government.

We in this part of the country maintain, without reservation, our aspiration to national unity; but the unity we want is a unity by consent. It is a unity which will come when all sections of the population living in this island freely and openly adopt policies leading to that end.

In the meantime, the first priority is the restoration of conditions for a just and lasting peace in Northern Ireland. Any policy which puts that prospect in question cannot but create the gravest dangers for the Irish people. We will support institutions of government in Northern Ireland to which a majority of each section of the community there give their allegiance. It is in that way that peace lies. It is in that way that prosperity can flourish.

#### SECURITY

The violence in Northern Ireland has had its impact here - in higher public spending, in lower tourist and perhaps even in lower investment income. It is an evil which directly or indirectly affects the whole island. We have built up our

security forces to a point never before attained in peace time; and will maintain, and if necessary, improve their strength to whatever degree is necessary to defeat this evil. That is a fundamental tenet of policy. We will uphold the laws enacted by the Irish people through their own institutions for their own protection and advancement.

But there is a further dimension to the problem. We recognise that the ordinary householder, the ordinary citizen, needs constant protection also against ordinary crime; and we are increasing the strength of the Garda Síochána so that this protection can be given. We are also examining the possibility of extending the system of compensation for the victims of offences against person or property.

We have had great difficulties to contend with, external and internal, and, with discipline, good order and courage, we the Government and the people of Ireland are coming, if we have not come, through them. The Budget of 1977 will be seen as the great watershed in the economic history of the last quarter of this century. The

decisions it embodies and its framework of stimuli and incentives point the direction in which we must travel to achieve the ancient ambitions of this people. What are these? A free, humane, ordered and creative society, with the rewards of effort making it possible to cherish all the children of the nation equally. Having achieved, by the arduous efforts of our fathers, political independence, our next great aim - and we are moving towards it - is economic independence.

We can adopt Abraham Lincoln's words in his "House Divided Speech" of 1858 - "We know where we are and whither we are tending and therefore we can the better judge what to do and how to do it". There are no soft options. Both personal saving and individual hard work involve discipline and dedication. The new skills for a new age will not result from an indolent stroll.

We must give, by an appropriate adaptation of our educational system, our intelligent young the skills they will need to make their mark. We cannot afford to produce anything but the best



and of this Irish agriculture and industry are clearly capable. In reaching where we have to go, this Government will have no ideological hang-ups. They will be realistic and pragmatic, bearing clearly in mind the needs of enterprise. Whether an activity be State-sponsored or the result of private initiative does not matter provided it serves the national interest. After all, it was predecessors of this Government, a combination of Fine Gael and Labour, that produced the two most potent agents of our industrial growth, the I.D.A. and the export tax relief, the one a State intervention, the other a stimulus to private enterprise.

Every day brings fresh signs of the confidence of the world in our democratic and free society.

This can be the Age of Opportunity. Let us make sure that it is.