

## Debates at the Irish Parliament Ireland's on participation in the European Monetary System (13 December 1978)

**Caption:** On 13 December 1978, Irish MPs, meeting in the Dáil, debate the issue of Ireland's participation in the European Monetary System (EMS).

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[...]

**Mr. Flynn:** The Chair need have no doubt about the strength of my vocal chords.

We were dealing this morning with two matters, the effective and statesmanlike activity on the part of the Taoiseach, his economic Ministers and advisers, in carrying out negotiations on our behalf in relation to the EMS, and the strategy of the Opposition in creating total confusion both in the House and in the nation generally in relation to these negotiations. Part of their strategy is to discredit the Government at a time when they are involved in the most delicate negotiations with our foreign partners.

The Deputy who has just left the House presented us with a further extension of the strategy of dislocation and confusion by bringing in side issues and red herrings to divert attention from what the Government believe is the most important matter to come before the House for a considerable length of time. However, in all this confusion in the minds of the Opposition some things have become absolutely clear. All agree that the EMS has positive advantages for the Irish economy, that the EMS would act as a major stimulus for growth and employment, that it would help to reduce inflation which has been brought under control since 1977 by Fianna Fáil and which would continue to be kept under control if we could satisfactorily negotiate a deal with the EMS. It is also agreed that the entry into the EMS must be combined with determined moves to promote better distribution of wealth. That is what the current negotiations are all about. It is agreed also that the weaker nations, including Ireland, need support to improve the infrastructure, perhaps particularly as far as the road works and communications are concerned, so that we can develop a better standard of living and provide more employment. It is also agreed that the Fianna Fáil Government, through the Taoiseach, his advisers and economic Ministers are the best-fitted, the best informed and the acknowledged experts and authorities so far as this negotiation is concerned.

The Fianna Fáil Governments were involved in all the major policy changes and major advances that this nation ever made. If this step is taken it will be taken by Fianna Fáil. This morning the Labour Party out of their own mouths agreed that they are not committed to doing anything except going on a Government-bashing binge this evening. It is also agreed that Labour do not know in which direction they are going. Their followers and supporters do not know in which way they are going, and they are being given contrary advice at every second public meeting of the Labour Party. For people who did not support our entry into the EEC initially, for people who did not support our stand in relation to EMS — Deputy Desmond said this morning that he was not in favour of EMS — for people who are so anti-EEC, they are the first to put candidates in the field for next June's elections.

**Deputies:** Hear, hear.

**Mr. Flynn:** I only hope that they get the opportunity to tell them which way to vote.

**An Leas-Cheann Comhairle:** The Deputy should conclude now.

**Mr. Flynn:** It was agreed as well this morning that the Fine Gael Party still have not the political will nor the political courage to consider anything contrary to the advice they get from the political and monetary advisers in Westminster. That has been the pattern of their advice to this nation over 50 years, and they are not prepared to change it at this time.

As Deputy Cluskey rightly said this morning, the goodwill and the future of this nation lies in the arms of the Taoiseach. The country well knows that they are the safest arms to be in at this time.

All these matters have been generally agreed by the House, but it is agreed, probably only by Fianna Fáil, that both Fine Gael and Labour are in their proper places, in the Opposition benches, and EMS, EMU, political union and world union will come before they ever cross the floor of this House again.

**An Leas-Cheann Comhairle:** Deputy Bruton.

**Mr. Flynn:** To those on the far side who do not understand EMS, I will be giving lessons downstairs now.

*(Interruptions.)*

**Mr. Bruton:** There are three areas of failure on the part of the Government in their negotiations for entry into the EMS. First of all they failed to achieve what they set out to achieve, the formation of a special division in the Regional Fund through which transfers of resources could be made to us. They failed to achieve something which the Taoiseach put very great store by, that a substantial part, if not all, of the transfers of resources should be in the form of grants, and they failed to have the aid which is being made available in the form of loans extended to industry as well as to infrastructure.

The Taoiseach dwelt on the importance of achieving grants as against loans in the White Paper, where it is pointed out that we already have a very substantial level of foreign debt and a higher than average level of borrowing generally whether it be foreign or domestic, and that transfers of resources which take the form of loans are adding to that burden of debt and are therefore creating many problems for us, and are working in a contrary direction to the whole idea of an economic policy for a country within the European Monetary System, namely that the money supply should be restrained. If we are expanding our level of borrowing in that way we are not pursuing the type of policy which would be consistent with membership of the EMS. So what we are getting in the form of transfers of resources is inimical to our being successful if they lead to our overall borrowing being increased.

Members of the House would need to seek the guidance of the Government as to whether or not their target to reduce the level of borrowing as a proportion of GNP to 10 per cent will stand if they decide to accept the terms of the EMS and accept the substantial loans. Does that mean that they will drastically reduce borrowing from other sources so as to stay within their target? If that is the case, the deal does not seem to be very attractive. As the Leader of my Party has indicated, the terms which we are obtaining under the special facility are not more favourable than the terms obtainable from normal commercial sources. Converting the type of loan which we could obtain in the normal course into another type of loan, the terms of which are not more attractive, is not achieving a significant improvement for our economy, except for a marginal improvement represented by the subsidisation of the interest rates. As has been demonstrated, it is possible for us to obtain lower rates of interest from commercial sources. The subsidy merely cancels relatively disadvantageous interest rates that we are getting under the proposed facility.

A further disadvantage for us in the proposal is that it will involve doubling our level of foreign debt. We do not know what effect it will have on our overall level of indebtedness. The acceptance of these loans will lead to an increase in our level of foreign indebtedness, which is not a desirable thing. In regard to foreign debt, the point needs to be made that we will not be able to recover any interest already paid. If we are paying interest on debts to holders of Irish securities who are living here, the bulk of the interest paid to them will be recouped through income tax. If we are paying interest abroad, we will not be able to get any of that interest back in the form of income tax because the people receiving interest from us will not be liable to Irish income tax. This is an added disadvantage in contracting substantially increased foreign debt.

Another point which needs to be explored is the restriction of the aid to infrastructure. It seems that there has been a retreat in our position, even since the Brussels Summit. The Resolution published at the end of the Brussels Summit states that the funds thus provided are to be concentrated on the financing of selected infrastructure projects and programmes with the understanding that any direct or indirect distortion of the competitive position of specific industries within Member States will have to be avoided.

That was the position at the end of the Brussels Summit. Paragraph 35 of the Green Paper explains details of the scheme which were not included in the Resolution and states that the loans will be subject to the conditions that the borrowing country will have to provide part of the overall cost of the projects or programmes and will be limited to infrastructure development. The only requirement at the end of the

Brussels Summit was that the loans be concentrated on infrastructure. As a result of subsequent misnegotiation, it now seems that the loans may only be used for infrastructure. A further retreat on the part of the Government is that even since Brussels they have conceded that the money is only to be used for infrastructure. The communiqué issued at the end of the Brussels Summit clearly left the door open for at least some of the money to be used for other projects.

Within the terms of the Brussels Resolution it would have been possible for substantial amounts of this money to be given to the IDA. In most IDA programmes there is no direct or indirect distortion of competition. If there were, they would have been challenged by the Commission long ago. Since the Brussels communiqué it seems that the loans are being limited to infrastructure development. We have accepted that we will not get money for the IDA. The limitation to infrastructure is inappropriate for the purpose for which the transfers are taking place. The transfers are taking place because certain sectors of our industry will face a competitive disadvantage. If industry suffers as a result of our joining the EMS, then the money should be paid to industry. Why have the Government accepted that it should be confined to infrastructure?

The reason we are seeking transfers is to protect employment in industry. As infrastructure projects are short-term, jobs created in infrastructure will last for only two or three years, whereas jobs created in industry last a lifetime. It would have been far better if the Taoiseach had succeeded in getting all of the transfer resources used in the sector where the problems will arise, namely, industry, and not for infrastructure. It is the more difficult to understand why he accepted this limitation to infrastructure when one reads the terms of reference of the two instruments under which the aid is to be made available, the Ortolí facility and the European Investment Bank. The terms of reference of the Ortolí facility are:

The proceeds of these loans shall be lent to finance investment projects which contribute to a greater convergence and integration of the economic policies of Member States. These projects must help attain the priority Community objectives in energy, industry and infrastructure sectors taking account *inter alia* of the regional impact of the projects and the need to combat unemployment.

The terms of the European Investment Bank include aid for projects for developing less developed regions, projects for modernising or converting, undertaking or developing fresh activities called for by the progressive establishment of the Common Market where these projects are of such a size or nature that they cannot be financed by the various means available to individual Member States, and projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.

These are two very broadly drawn sets of terms of reference under which money in the normal course can be made available either through the Ortolí facility or the European Investment Bank. Why did the Taoiseach not succeed in getting his colleagues to agree that the money would be simply channelled through those two channels? Presumably there are restrictions to avoid misspending of money made available through either the European Investment or the Ortolí facility: there are existing procedures to avoid money being used for uneconomic purposes or being used for distortion of competition. Clearly neither facility is confined to infrastructure. Why then are the transfers of resources that are being made under the terms negotiated by the Taoiseach, or the best terms he could get at the time, confined to infrastructure? No reason has been given in this debate or elsewhere. I challenge whatever Minister replies to tell us why this has transpired. It certainly was not the impression we got from the Taoiseach in previous debates and statements before he went to Brussels. It certainly was not the impression one would get from reading the communiqué issued at the end of the negotiations, which merely said that they should be concentrated on infrastructure. That is not satisfactory, but it is far better than what has turned out to be the case where they are in fact limited to infrastructure.

Will the money for infrastructure which is made available be actually used to expand our infrastructure programme, or will it be used to save money for the Irish Government? Will there be real expansion or will

we merely be using European loans to finance things we would otherwise be funding by our own loans with no net increase in the infrastructural provision? As the present Minister for Finance asked when he was in Opposition, I ask that separate accounts be drawn up by which it can be clearly seen (a) what the existing programme of the Government would have been for infrastructural development with existing resources and (b) the additional infrastructural provision now being made as a result of additional resources being made available. We must have two separate sets of statistics and it must be abundantly clear to our own people and the Community — they are not giving us money to get the Minister for Finance off some financial hook on which he hoisted himself in July 1977; they are giving money for infrastructure — that this money is actually being used for increased infrastructural provision. I now ask that such a clear statement in the form of separate accounts for the EEC-aided infrastructural development and our normal infrastructural development programme be drawn up.

I have another reservation about the way in which this money is being made available; it will go through the official channels of a very lugubrious nature. First, these projects will perhaps have to be approved at local authority level, then at national Government level through the Department of the Environment, and, in a new and third stage, they will have to be approved in Brussels. The papers will have to be examined three times whereas normally it would be only twice. All the technical studies will have to be done, cross-checked and rechecked not only at county level and in Dublin but also in Brussels. Will not that mean delays in infrastructure development rather than acceleration because of the additional bureaucratic processing?

We know the incapacity of our Government machine to spend all the money for infrastructure. We need only go back to yesterday to the debate on the Supplementary Estimates for Fisheries and the Department of the Environment for examples of this. I pointed out that a substantial portion of the money voted in the 1978 Estimate for harbour development for fisheries was not spent in 1978. Similarly, money voted for environmental projects and for making dangerous places safe was not spent in substantial proportion. It was money that was available and essentially of an infrastructural nature which would have given substantial employment and it was therefore fully in line with the priorities of the Government. That money was not spent. I fear this money may not be spent either, because it will become gummed up somewhere in the bureaucratic machine. Plans will not be prepared or there will be some other barrier across the multi-stage road to do something. There will be delay and the money will not be used. Meanwhile, perhaps we will be paying interest on loans to do things that we are not doing, and the purpose for which the money is being given, protection of jobs in industry, is being entirely neglected in the transfer of resources and it is all being channelled into infrastructure.

I should also like to have a clear definition of infrastructure from the Government. When studying economics I thought I got an idea of what infrastructure was, but I do not remember that it has ever been defined legally. Is an advance factory infrastructure? Is the laying of an industrial estate infrastructure? Or is it merely confined to roads, roads that do not necessarily lead anywhere, just roads from one town to another? If it is an industrial road is it infrastructure? It is very important to have that clarified at an early stage so that we get the maximum amount possible for the type of project which most directly protects jobs in industry. We should seek the widest possible definition of infrastructure. We should never have accepted the confinement to infrastructure but, having done so, we should try to interpret it as widely as possible.

I should like to advert to another problem in relation to the money we are getting for infrastructure. The point has been made that the transfers of resources will have the significant effect that these loans coming in will help our balance of payments position and help us over the initial difficulties in joining the EMS. But it appears to me that, if the money is spent on certain types of infrastructure, that money will go straight out of our economy; if the job is done any way quickly, the money will not stay in our economy for any length of time at all. For instance, if it is spent on telephone development — and I am glad to see the Minister of State responsible is here and perhaps he could clarify the situation in relation to the import content of telephone development — quite a significant portion of it, indeed, all of the equipment, is imported, so that the balance of payments effect we are seeking from that type of infrastructure, namely, a positive one, will be dissipated almost immediately because it will be spent on telephones which have to be imported. We do not manufacture telephones in this country. We do not manufacture the switching equipment and so on that goes with them. On the other hand, if it is spent on roads, we do produce most, if not all of the materials spent on

roads, so that will stay in the country. But it is very important to know exactly what type of infrastructure it is intended to use the money on if we are to assess its value for us from the point of view of the preservation of our position in relation to the balance of payments.

I presume, from what I know, that the money will be made available now for individual projects; we will be getting a loan of £500 million for roads. We will be getting, as far as I know — and I would like clarification on this £200 million from the EEC for a particular road. The merits of that particular road as against other roads we might use money on will have to be assessed in Brussels. They will have to say whether we are right to be spending money on, say, the Cork road when we should perhaps be spending it on the Galway road. I understand the money will be given in loans for specific projects and not for a global programme. If that is the case, will all the information being made available to Brussels in support of our case for a particular type of investment and in support of our contention that the return on that investment will be such as to exceed the rate of interest that we are paying on the debt to pay for it — be made available to this House or will it be made available only to the bureaucrats in Brussels?

There is another area to which I should like to refer, if I may change ground a little, that is, in relation to the impact on agriculture of our joining the EMS. The Taoiseach has completely ignored agriculture both in the White Paper and in his introductory statement. This is surprising. I cannot understand why no reference at all was made to agriculture in the entire discussion of the EMS. We all know that those agricultural commodities which are covered by monetary compensatory amounts are insulated against changes in the exchange rate. Therefore, there is not a problem with them. But we know also that substantial areas of our agricultural and food production are not covered by MCAs. I will give two examples — horticulture and that area of meat processing which has the highest employment content, namely, canned beef production. In the context of the EMS negotiations has any attempt been made to protect those two very vulnerable sectors of agriculture from the effects of our joining the EMS if that means that our currency rises above the level of the £ sterling?

I should like to make inquiries also about the position in relation to exchange control. This is a question I posed on the last occasion this matter was discussed. It was not answered then and has not been answered since in any statement from the Government. Does our joining the EMS mean that the premium which at present an Irish person with Irish £s, wishing to invest in the German stock market, must pay will no longer be payable? If we join the EMS and are part of one system with the Deutschmark, will those dollar premiums no longer have to be paid by Irish people? Equally, if we join and Britain stays out, does that mean that Britain will be imposing dollar premiums on British investment in Ireland? It is very important that this be clarified because it could have a major effect on the flow of funds. For instance, if Irish investors are completely free to invest without paying any dollar premium on the German market, there will be a tendency for money to converge in the central economies where the return is the highest. There will be a tendency for Irish investors, rather than investing in Ireland, to invest in Germany. We should have that matter clarified before we proceed any further in the matter.

Broadly speaking, I regret very much that the Government have done so little to protect those who are liable to be worst affected by our joining the EMS. I believe that, if we can get the right terms, We should join the EMS. It is important for us, in the long run, to be part of the central policy-making in the strong economies of Europe. It is in our interests to have a say in the market place in which we will be selling our goods. It is important that we have people to negotiate for us in that position who have the ability to do so. If we are forced, by bad negotiation, to stay out, it will be a bad day for this country. It will be particularly bad if we stay out, lose whatever small concessions we have got, and then have to go in later when Britain goes in, getting no concessions at all then because there is no indication that the meagre terms we are now being offered will remain open if we do not go in now. If we do not go in now and wait until Britain goes in in perhaps six or eight months' time, have we any guarantee that there will be any transfers of resources to us at that stage at all? Have we any guarantee that the terms now available to us will be available to us in six or eight months' time if Britain goes in? There is that danger inherent in staying out, that we will lose whatever terms are on offer now, and I believe they are very insufficient. Therefore it is vitally important — as our Leader said — that the Taoiseach and his Ministers do everything possible to renegotiate these terms urgently and endeavour to get transfers of resources which will protect jobs in this country and enable us to

take our place with the strong economies of Europe, as a strong economy in Europe, in the years ahead.

**Dr. Browne:** Obviously this is a debate of great importance. One of the regrets one has is that it is not a definitive debate on a substantive motion in so far as, for instance, the Italian Parliament are discussing this question today, a matter of great importance to them, as it is to us; that in fact we have no authority; we are not a sovereign parliament; we will really have no direct say in whether we do or do not go in, the delegation of this House to the status of a debating society by the Taoiseach is something which should be referred to.

The position of the Taoiseach himself is one of extraordinary interest. Somewhere on Tuesday morning I heard somebody humming the old nursery rhyme: "So Jack fell down and broke his crown, and Jill came tumbling after." It appeared to be fairly apposite, because he had made an extraordinary decision, in some ways an extraordinarily courageous one, in view of the fact that the television cameras of the world, certainly of Europe, were on him, that he had indulged in a complete volte face; having encouraged us, from the very beginning, to believe that he was going in, he had to make this complete reversal of attitudes in relation to the system.

When I thought that little rhyme was apposite I was really referring to the whole idea of the EEC and the consistent euphoria. Indeed, it is quite remarkable the way this euphoria has been maintained since we went into the EEC despite the very serious consequences experienced by our society. I, of course, opposed entry because I always regarded it as a rich man's club, a new form of latter-day colonialism with the great central countries using us on the periphery as a colonial-type society. The most interesting feature of the negotiations has been not just the Taoiseach's behaviour but also the behaviour of the main Opposition party, particularly that of Deputy FitzGerald. It does appear as if both these leaders seriously believe in the concept of a great western European federal society on the lines of the USSR or the United States of America in which there would be a grouping together of a number of nations broadly pursuing objectives in the interests of all the component parts. That, of course, would have been the evolution if they had decided on the idea of a European monetary union rather than a monetary system. This difference has not been stressed at all. Neither has it been stressed by the political and economic commentators in the newspapers.

Talking in the context of someone in the EEC, there could be something to be said for some kind of acceptance of the idea of an economic monetary union in which there would be a central parliament rather like Congress, or some other form of federal organisation society like West Germany, which is a democratic republic, or some other society in which a representative parliament would have some overall control over the economic, fiscal and social policies of the component parts of that federal union. But this has nothing to do with that at all. It does not represent that in any way. It is a reconstituted "Snake" device whereby we will be attempting to introduce some kind of stability into the European economy and finances and it is a very particular concern of the West German Government to establish some sort of stability of the German mark.

It is remarkable how easy it is to generate a particular idea if you have sufficient control of the various communication media, but how anybody could look to Europe and to the nations of the EEC and, because of its power and stability, talk of going into it in some sort of monetary union or monetary system, and try to establish some links with the other financial structures in that union, in that community, in the light of the reality of the EEC at the present time is to me incredible. The EEC is probably one of the most unstable social economies, socially and economically, that we have ever known. There is Italy with well over 1 million unemployed, France with 1,500,000, Britain with around 1 million unemployed. There is West Germany, the keystone of the union, at the moment a very frightened, worried and apprehensive West Germany. West Germany, people frequently forget, is part of a partitioned country. It is not a stable unit. It could not be and probably never will be until it becomes a united Germany again one side or other of the socialist-capitalist line. But, as it is, it is quite remarkable that people should so shortly after the calamity of the Second World War, 30 years after, look to this state as a stable unit. It is a society which at the moment is incubating a very dangerous industrial situation.

There is the strike in the steel industry. As we all know, the steel industry is the key industry in great industrial nations and what happens to steel determines practically what happens to everything else. In Solingen 37,000 people are out on strike. This is the first steel strike for 50 years. It is a strike which started

from relatively modest demands by the workers. But it is a key struggle, because what happens in this struggle will determine what will happen in many western European countries. As I said, the demands are modest. They might surprise the Irish Transport and General Workers' Union and the Amalgamated Union and all the other unions here. The workers are asking for a 5 per cent rise. They are being offered a 3 per cent rise. The response to their going on strike, these 37,000, was that within six weeks 29,000 people were locked out in other plants. The largest union in West Germany with 2.6 million workers is at the centre of a challenge between capital and labour, employer and employee, and the general feeling is that the strike will not be quickly over, even though it is Christmas time, because there happens to be a recession in the steel industry. The workers have to fight their corner and the employers have to fight theirs. The workers are looking for a 35-hour week and the management do not want to give it for their own reasons. Now that is not the kind of society, taken in conjunction with Italy, France and Britain, that should be rushed into so readily in order to become a partner in a very turbulent year in these famous western capitals and a very turbulent year also in the United States of America.

Most of us, of course, believe we are watching the death throes of western capitalism. Naturally it is taking time because it is enormously powerful. There is a total inability to cope with increasing populations and advancing industrialisation. Remember, they are now threatened with the microprocessors, a fabulous scientific concept which will close the conventional type of factory and reduce the outlets for employment to an extent never before experienced in industry.

However, in the context of what we are dealing with the Taoiseach said we should try to join the system, and he was most enthusiastic. Many people agreed with his excessive and unwise enthusiasm, without knowing anything about specific terms. It was extraordinary that the Taoiseach should have displayed such enthusiasm without knowing the terms. In the early days we were told about two things, the transfer of funds and the breaking of the link with sterling. On the matter of the transfer of funds, it is most important to establish without any doubt that the transfer of funds does not mean a loan, because a loan is but a temporary transfer of funds. The Taoiseach was talking about a permanent transfer of funds, and he mentioned £650 million. Reckoning on a drop in the GNP of about 2 per cent, that would work out at about £135 million per annum. I quoted the nursery rhyme, "Jack fell down and broke his crown, and Jill came tumbling after", because there were people who were even more unrealistic about this than the Taoiseach, even more euphoric. In his assessment of our needs — it will be interesting to see what he will do in the circumstances of any offer we may get — Deputy FitzGerald wanted compensation for a 10 per cent annual drop in GNP. In a speech earlier in the month Deputy FitzGerald is quoted in the Official Report as having said:

Given that our GNP next year will be in the order of £6,000 million we need a net transfer of £600 million a year permanently.

I underline "permanently". That is an incredible concept. He was not seeking £135 million on a five-year basis. He was looking for £600 million on a permanent basis. This seems to me to reflect an extraordinary misconception by both major parties of what the EEC means. When they were selling the EEC to the people a few years ago Deputy FitzGerald made the famous statement that the cost of living rise would not be more than four or five or maybe 6 per cent.

There has been a total misconception by these people that there is a genuine co-operative effort in Europe to establish a sort of federal society with all the people at the periphery being cared for and that the great wealthy central European economies are genuinely anxious for a redistribution of wealth. Deputy FitzGerald believed this to the extent that he expected a £600 million a year grant from his colleagues, or comrades as he appeared to think they were socially.

I saw a magnificent little programme on RTE shortly after their dispute — it was extremely good and RTE should be complimented on it. There was an interview with a spokesman for Chancellor Schmidt who throughout the telecast did not take the smile from his face. One of our people asked him about grants and



about the level of the grants and the Taoiseach's £130 million a year figure was mentioned. The spokesman for Chancellor Schmidt treated the matter in a paternalistic sort of way and suggested that it was an outrageous proposition that they should give us £130 million a year. "Forgive me for smiling", seemed to be what he was trying to say.

This represents the great conflict in the whole concept of the EEC. Has anybody any serious illusions any more on what the EEC is about? I remember Seán Lemass once saying that nobody owes us a living. Does anybody seriously believe, as the two Leaders of our two great parties obviously did, that Europe owes us a living? As the spokesman for Schmidt said: "Chancellor Schmidt cannot take any position: he speaks merely for Germany and there are nine peoples involved in making these decisions". When asked if his view was any different from that of the French, he said it was not. The Taoiseach picked out Helmut Schmidt as Father Christmas. Of course that is not true. Nobody had the slightest intention of making substantial transfers to us and that transpired later at the summit.

I should like to refer briefly to breaking the link with sterling. This was referred to even in 1948 as something that should be done. I think it would have been quite wrong to have done it, but it was referred to at that time. When we heard of it I am sure the blood pulsed a little faster in our veins because we were delighted with the idea to use Wolfe Tone's famous phrase of breaking the connection with England. There is no doubt there has been a certain element here of the idea of breaking the link with England, and I am sure the Taoiseach was anxious that he would be the one to break that connection with England. There has been a very dangerous evasion of this issue recently and we have moved right round in a circle and there has been a sigh of relief from all the economists in the newspapers and on television from all sides because we do not have to break the link with sterling. Wolfe Tone's great aspiration has been set aside because of the hard financial calculations that have been done in the meantime. Because of the other difficult matters with which we are faced, we cannot afford republicanism at that kind of level.

What are the calculations in regard to the breaking of the link with sterling? It is all very well to talk about Mr. Callaghan and his usual avuncular assurances that all would be well, that he would look after us, that he would do everything he could to see he did not get in our way. We all know what that is worth. Is it not true that tonight Callaghan stands or falls on a vote on the sanctions issue — that his Parliament may not be there tomorrow? Very soon there will be a general election and Mrs. Thatcher could become Prime Minister. With the unstable nature of British politics during their post-imperial decline, what validity have their assurances? Why should we accept a guarantee from Mr. Callaghan that he will keep some sort of link with European exchange rates? Can we accept such a guarantee from any of the others?

Twice already the "Snake" has been broken up. Twice they have given assurances about bands within which currencies will fluctuate and the French, Italians and British have all had to withdraw. What has now changed? Why this euphoria about this discredited idea? It is not linked to any central determination by the nine countries to examine the whole matter in a panoramic way. The organisation of such an enormous population cannot be achieved by fiddling around with exchange rates. That has been shown already. Nothing has been said by anyone in any of the countries which gives reason to believe there is likely to be any change.

In the USA, with all their faults, there is a general attitude, a like-mindedness, about their aspirations for the various components of their state. In the Soviet Union the basic socialist philosophy permeates the thinking of most of the laws, whether one likes it or not. In this system there appears to be an attempt to establish a moneylenders' paradise, a bankers' paradise. They know our economy as well as we know it ourselves and they are aware of its weaknesses. We were told by the Taoiseach and the Tánaiste that we must reduce our borrowing from 13½ per cent to 10 per cent. With that kind of problem, any Government is faced with higher taxation or alternative taxation, such as taxing the wealthy farmers or taking over the mines. The Government will not do that. They will cut down on public spending on houses, hospitals, schools and roads. Unemployment is the obvious sequel to that and it will push down living standards.

This is the dilemma facing the Government. They are now offered a new loan which effectively doubles our existing indebtedness. It seems that the Taoiseach saw this as an outrageous proposal in the light of what he

had been telling us about cutting down our current deficit. The proposal now is that we double our indebtedness by going into the EMS. We have found a new moneylender with enormous resources. What kind of an organisation would it be? It is said that backstairs negotiations are going on. Is it likely there will be a new summit by telephone? Will they come to some new arrangement to salve the Taoiseach's conscience?

The EEC is totally discredited. I never believed in it anyway. The next move must be away from the EEC. It is early days yet but it would not surprise me if quite a number of people see it that way. The Taoiseach's reputation is now in question. He can remain as Taoiseach under the pressure of the Tánaiste and the Minister for Economic Planning and Development. They are obviously concerned with financial needs and he is under enormous pressure to reverse what he said publicly about this being a bad deal for our country. He is of my own generation and it may be one of the last things he may ever do. It is a very serious decision. He should continue to maintain the stand he took. He fully appreciates the implications of going into debt to West Germany who will be the taskmaster and paymaster. Instead we should look elsewhere for the funds needed. In the light of all he has said and his categorical denial of the suggestion that we should go in, I do not see how the Taoiseach can maintain his credit and his position of integrity if he does not either reject the idea or allow the others to accept it and resign.

**Mr. L. Lawlor:** Since the opening of the debate this morning it is hard to appreciate the continual flow of criticism regarding the lack of information on the EMS. No Parliament in the nine countries has had more opportunity than the Dáil to look in great detail at the pros and cons and implications of joining the system. The Opposition told the Taoiseach and Ministers responsible that we were rushing into the EMS, that we were blindly going into a system the full implications of which we did not fully appreciate.

Up to the commencement of the Brussels Summit, the Taoiseach had kept the House fully informed on developments. After discussions with various heads of State he made statements clarifying that we would certainly consider very seriously entry to the EMS if the terms were right. The phrase "if the terms are right" has been conveniently forgotten by many Opposition speakers in assessing the up-to-date situation.

As the Taoiseach has outlined, in the hours before the commencement of the Brussels Summit the heads of central banks, Finance Ministers and their advisers were going into great detail on how the system could attract the nine members of the EEC. The Germans, who hold the Presidency of the EEC, produced a working document with brackets around the figures put forward by certain countries. Each country's case was discussed in great detail. When the Taoiseach put forward the Government's case other countries possibly shifted their stance and took another line on their requirements of the EMS. The Taoiseach, an able international statesman experienced at bargaining for this country, was very forthright at the end of the summit in bluntly telling everybody concerned that in his assessment the terms were not right.

There is no question of the situation the Opposition tried to put forward. They first told us that we were rushing in and then said we had been conned. This is a complete distortion of the facts and the Government, in this House, have rejected it. When one hears speeches from the Opposition benches, their lack of preparation and real study of the EMS is obvious and I suppose the best they can do is criticise.

We have had a second opportunity to debate the EMS in this House but we have yet to hear from the Opposition parties what is their assessment of what we require as a precondition of entry. They try continually to distort the situation, and this cannot do us any good with our trading partners in Europe and further afield. However, it appears to have been a storm in a teacup, and the Taoiseach this morning in his statement brought the position up to date.

It is unbelievable that the leaders of the Opposition parties in particular should seek continually to get from the Taoiseach confidential information with regard to the negotiations prior to his having discussions and coming to an agreement. As outlined by the Taoiseach this morning, if one or other leader of the Opposition parties can secure the office of Taoiseach the confidential content of our affairs will be entrusted to him, but until that happens it is the duty of this Government to negotiate on behalf of the people, to make a recommendation and then to give the House an opportunity to debate that decision. Deputies on the back

benches have full confidence in them.

Since the Brussels Summit, in common with Italy our Government and Cabinet have been discussing the situation that existed at the end of the Summit. It is obvious that it is an ongoing situation. It is well known also that the Cabinet were discussing and considering the updated situation up to 11.30 p.m. last night. Today the Italian Parliament is discussing whether they should enter the EMS, and the situation is similar here. I have no doubt that since his return from the summit the Taoiseach has made alterations and changes in the request for finance in different forms to create the facility for entry if our fellow partners in the EEC can see their way to meeting our case.

With regard to Britain and the stand that country has taken, in the past when major political decisions were necessary by the Government of that country, due to their delicate balancing position they have had to shy away from such decisions. It is obvious that the question of entry by Britain into the EMS is being put aside yet again. However, there have been comments and suggestions from this side of the House, and they have been set out in the White Paper, that there might be good reason for us to join the EMS and maintain parity with sterling. If we can secure the flexibility of the percentage rate of 6 per cent which the Italians have put forward and if we can get the necessary resources, whether grants or loans, we might be in a position to get the best of both worlds.

As 50 per cent of our trade is with Britain — having come down from approximately 75 per cent since joining the EEC — it is obvious that the British market is an important outlet for us. We would have complications if we entered the EMS and if there was a change in the value of the Irish punt as against the £ sterling. If the Taoiseach, his financial advisers and the Minister concerned can bring about the transfer of resources as well as the flexibility of sticking with the £ sterling, I can see a situation that we may decide to enter the EMS before many days are passed.

It is worthwhile to reflect on the alternatives. If we do not enter the EMS what will be the position? It is obvious that Britain will not enter at this stage, but as they are a large country and have a large economy probably they could have greater flexibility in opting for the system at a later date. We are faced with the prospect of looking at the situation that will develop if we do not enter. We would be losing an opportunity to co-ordinate our finances with what is developing to be our biggest market since joining the EEC. It has been to the advantage of our fellow members in the EEC because when the value of our currency was dropping their purchasing power was greater. This can have a detrimental effect on our control of our own affairs. In the EMS if the terms are right we have an opportunity to link ourselves, economically and financially, to a much broader and more demanding market. We are in the EEC and the benefits of that membership are easily identified. There is another step forward if the terms and the situation are right for entry into the EMS.

It was difficult to understand Deputy Bruton. He made a major criticism of the negotiating position of the Taoiseach regarding the usage of the £45 million which it has been suggested was available. The Deputy wanted to know what was infrastructure. He wanted to know if it was roads, communications or an advance factory. I do not know how an Opposition speaker could be so vague about the reality. We move our products in this country from the factories and the processing firms to the consumers. The fabric of the buildings, the roads on which the goods are moved, the communications in buying and selling, can all be regarded as infrastructure.

One can readily accept that the Taoiseach and the Minister for Finance will put whatever funds become available to the best possible use. If we want examples of how to misdirect EEC funds we can look back at the record of the last Government where their Minister for Finance blatantly misused EEC funds: he brought them into the Central Fund for dispersal in a most inefficient way.

The Fine Gael and Labour Parties when given the opportunity to speak endeavoured to hurl personal criticisms rather than factual arguments in this debate so far. We have heard no constructive or alternative comments regarding the workings of the EMS, our requirements and the future situation. The people seemed to hold a similar attitude to us towards the Coalition Government when the last election came up. They

decided that the Coalition Government had little other than arguments and excuses to put forward.

Assuming that conditions for our entry into the EMS were favourable it is worthwhile to reflect on the likely development of continental investment here. We can see a situation where Germany particularly would increase their investment here. French investment would probably increase also. We probably have not had enough involvement with France although we are now finding in France an excellent outlet for our meat products. The potential investment prospects from both those large mainland European countries cannot but be of advantage. There has been a rise in German investment here and there is a great potential market there for our food products. Irrespective of what the outcome of the EMS negotiations are the Taoiseach has forged closer and worthwhile contacts with those two countries in relation to investment. We have certainly shown our EEC colleagues the capability and the capacity of the present Government by the comprehensive presentation of our case in relation to our entry into the EMS. Our European colleagues cannot but be impressed by our request for a transfer of resources and the serious intentions of this Government in improving infrastructure which automatically improves industrial development and job creation.

It is hard to credit the Fine Gael spokesman, Deputy Bruton, on the argument about infrastructure. As a Deputy who must use one of the most congested motorways to reach his constituency Deputy Bruton must know that tremendous investment in our roads system is needed. If our going into the EMS will make funds available for that vital improvement, if we are to get the investment to push development out from Dublin which is overcongested, that is the right policy to pursue. Naturally every Government must cut its cloth to measure, and with our increasing population demands for housing and other such facilities will continue. We see in an EMS situation along with the committed policy of the Government to improve available facilities, that we can get funds for the investment-type requirements of infrastructure, and we must give this matter serious consideration.

The Taoiseach handled the situation correctly when he said in Brussels that he could not recommend the package offered but that we would debate the matter in greater detail. We can assure the Opposition and the Fianna Fáil backbenchers that we have the fullest confidence in the way negotiations have been handled to date. We are still confident that the excellent presentation of the Irish case may yet bring about a satisfactory conclusion. The Taoiseach in his negotiations put forward a package in relation to the transfer of resources that other countries, Italy and Britain, appeared to have used in their negotiations and this has put our rating with our European partners well up the scale. One cannot but feel satisfied that our case has been put forward in a most business-like fashion and that the matter is far from closed.

To get a facility to link up with so many other currencies associated with thriving economies will certainly bring about discipline, but it will also be a tremendous challenge. The issues in the debate prior to our entry to the EEC were similar to the issues in this debate. The issues at stake then were, did we want to get into a grouping of countries so as to get greater trade outlets with the removal of tariffs and barriers so as to allow us to expand and become more competitive? The issues today are, do we want to link our currency with European countries who have shown the way in job creation and in the advancement of their peoples? This is an opportunity to join with some very fit competitors. We have asked for funds to enable us to compete. We are looking for a five-year transitional period and for funding and facilities in that period. That is the challenge, to become competent and efficient. We must accept the challenge and look forward to the potential that can arise if our case is accepted by our partners in Europe.

The outcome hinges on what is happening in the Italian Parliament. It appears that after seeing our case the German and French Heads of State have managed to get the Italians to reduce their demands. One can only hope that our case for entry will now be given priority.

When discussing this subject one must also consider the disciplines which the "Snake" imposed and recognise that it has been a useful exercise for the countries concerned. The EMS is an extension of the "Snake" and it will impose disciplines on the economies that are able to sustain participation. The greatest curse for many economies was the inflation in the early seventies. At that time our economy was not controlled by the two Opposition parties who rushed to grab power without any clear-cut policy for dealing with inflation. That was a dear lesson for us. At the last general election the people decided not to accept the

incompetence of that abrupt marriage. They have now charged the Taoiseach and his Cabinet with the running of the country. One can expect positive and progressive results from this administration. In 1978 we entered into a commitment in the budget and we are on target in regard to job creation.

We are now in the final stages of negotiating our entry into the EMS. The Taoiseach and his Cabinet have scrutinised the economy in relation to its potential. There is also the possibility that we may end up with some form of financial arrangement with the Germans. At this stage they are in an outward investment mood. During the negotiations we had an opportunity of letting them know our potential. As we face 1979 new horizons are opening up for us. According to an IDA publication, investment is increasing in job creation and in improving the infrastructure. An investment of more than £70 million in 1978 must create more jobs. Today we are in a much stronger position within Europe.

I failed to understand Deputy Bruton's remarks. Having complimented the Leader of his Party on his bungling, Deputy Bruton said that we must join the EMS. He said that if we do not join the facilities that are available now may not be available in six months' time. Are we to take it that the Fine Gael Party are advocating entry under any terms? It is difficult to assess the attitude of Fine Gael in relation to the EMS. They are suggesting that if Britain decides to join the EMS we will be left out in the cold.

The attitude of the Labour Party, which is obstructionist, is predictable. They have been critical but have not put forward any helpful suggestion. They adopted the same attitude in relation to the EEC but they must admit that the decision of the Fianna Fáil Government to enter the EEC was correct. However, they are never prepared to admit that they may be wrong. Misleading comments about the Government can only confuse our European partners. Whether or not we enter the EMS, the Government's decision will be the right one for us. The detail in which our case has been presented has brought about a greater awareness of our progressive policies. I compliment the Taoiseach and his Ministers on their negotiations. I am quietly optimistic that we may yet be part of the proposed financial system.

**Mr. Horgan:** Who would have thought 18 months ago that today, almost on the eve of Christmas, we would be in this House watching the Fianna Fáil Government and their 84 Members with their backs against the wall. That is where they are standing at present. They may be broad-backed but it is a very long wall. It is a situation in which they have put themselves.

One of the problems we face when we are talking about this motion and about the Labour party amendment is that there can be only a few hundred people who fully understand all the implications of what is happening at present. To judge by the glum faces on the Government benches this morning, there are not many of them to be found in Fianna Fáil. I do not claim to understand every aspect of every implication of what is involved for us in the EMS but I am able to read and to listen and to make sense of what is said by the Taoiseach and by Government Ministers. Another problem we are facing in this debate is that we are arguing about the length of a piece of string. We do not yet know what is really on offer and we may not know until after a decision has been taken on our behalf by the Government.

I propose to support the amendment in the name of the Leader of the Labour Party for at least six specific reasons. First, I believe that the Taoiseach did not accurately or correctly read the attitude of some other important members of the EEC to the fundamental question of transfer of resources when he was having bilateral discussions with them prior to the summit on 4 December.

Secondly, I believe as indeed the Taoiseach himself believes, that he did not get enough by way of resource transfers as a result of that summit meeting.

Thirdly, I believe that the Taoiseach and the Government failed almost completely to consider and devise strategies to deal with at least some of the options that might have emerged because of the developing situation. The classic example of this is the option that has now arisen with Italy apparently prepared to go in while Ireland remains undecided. It seems very much as if the Taoiseach's and the Government's strategy was based on a fairly simplistic assumption that either everybody would be in or that Ireland, Italy and Britain would remain out.

The fourth reason why I support our amendment is that I believe that the Taoiseach and other members of the Government have been deliberately obscure and diversionary in connection with that part of the discussion which relates to breaking the link with sterling.

The fifth reason why I believe our amendment should be accepted is that I believe the Taoiseach and the Government have deliberately tried to conceal the seriousness of the problems which will face us even if we do go into the EMS.

Finally, I believe they have attempted to conceal or minimise the domestic political and financial consequences of the strategy they have so far adopted. I should like to spell out in rather more detail the substance behind these assertions.

My first assertion was that the Taoiseach did not accurately estimate the attitude of important members of the Council of Ministers when he was conducting bilateral negotiations with them. In his speech this morning there is some evidence of this. Doubtless the Taoiseach would not so describe it but it is very difficult to read the paragraph that I am about to quote and not feel sympathy for him. He said:

After my meetings with the French President and the German Chancellor in particular, I felt that the transfers which we sought would not be in the form of grants only and at no stage did I give the impression that we could get the full amount of the transfers we asked for. I still, however, expressed my confidence and I feel it was important that I should have done so.

This is a pathetic admission by the Taoiseach of the failure of his strategy or of the failure to understand in time how much less we were actually being offered than he had hoped for in the beginning. Not only are we being apparently offered less but we are being offered it in forms different from those which he and the Government originally thought appropriate.

It must be bitter for the Taoiseach to review developments that took place before, during and since the summit and to reflect on the strange happenings that have occurred. High on that list is the ironic fact that in Europe it has been the Socialists and Social Democrats, the allies of this party in Europe, who have been trying to ensure that some decent transfer of resources takes place to Ireland while the political allies of the Taoiseach's party in the European Parliament, the Gaullists, have been doing their best to break the back of the transfer of resources move. This morning the Taoiseach paraphrased assurances he had from two other members of the Council of Ministers that basically they supported the idea that there should be a greater transfer of resources to Ireland than was on the table at the time. One of them, the Prime Minister of Denmark, was a Socialist; the other, the Prime Minister of the Netherlands, heads a Government in which Socialists are also represented. Conspicuously absent from the Taoiseach's statement was any indication of the attitude, helpful or otherwise, of his allies in the European Parliament from Denmark whose attitude to this problem has not yet been aired in this House. I suspect there are very good reasons why the Taoiseach has declined to do so. This is the sad result of the sorry alliances that the Taoiseach and his party have made in Europe, alliances so sorry that they now have to go to people who are our allies in Europe seeking the help which these people are trying with the best goodwill to give us.

The second main charge is that the Taoiseach has not succeeded in getting a sufficient transfer of resources. Deputy Liam Lawlor, who spoke before me, made two statements which cannot be supported. First, he asked had we ever made an assessment of what was needed by way of resource transfer to enable us to join the EMS. We are prepared to take, at least for argument purposes, the Taoiseach's original statement that something of the order of £650 million in grants would be needed to enable us to meet the demands of the EMS. I do not know how we can go any further towards satisfying him than by accepting for argument purposes the assessment and the figure put down by his own leader. He has also accused this party in particular of failure to specify where we stand in relation to the EMS. This party's position has been spelled out by our party leader this morning and again in a series of statements heard in this House in the past few

days. He made it quite clear that we favour entering the EMS if and only if the terms are right. He also made clear what, in his opinion, those terms should be. They include an adequate resource transfer of the order of £650 million in terms of grants, not loans. They include a refusal to accede to any dismantling of the Common Agricultural Policy and a number of other items which are on the records of the House and which Deputy Lawlor has available to him if he wants to read them.

It is one thing to say that we did not get enough; it is another thing to actually point out how much less we actually got than what we asked for. *The Economist* of 9 December points out the whole detail of the transfer of resources argument in graphic terms. The quotation, from page 17, reads as follows:

The French insisted that the maximum that could be offered was extra loans of 1,000m ecus (\$1.3 billion) per year plus 200m ecus (\$260m) per year in interest-rate rebates. Two-thirds of this would go to Italy and one-third to Ireland. But the Irish wanted a minimum of \$260m per year in grants (e.g. rebates) for themselves alone. The Italians wanted \$470m per year. That meant requests for an annual total of over \$700m in grants, against the \$260m on offer. Result, unhappiness. Ireland's Mr. Jack Lynch calculated that the offer would be worth only £45m a year to Ireland. He told the summit that he would advise his cabinet against acceptance.

The logic of this situation is that we were looking for a sum which we considered necessary for us to tide us over entry into the EMS, which was equivalent to the total amount that the EMS was prepared to advance both to Italy and to ourselves. And, as we were only to get a third of that total amount in any case, and Italy were to get the other two-thirds, it follows quite bluntly that what was on offer to Ireland was only a third of what we felt was necessary.

We all know that there are bargaining positions and fall-back positions. We all know, as the Taoiseach said, that we do not necessarily hope to get everything we ask for but a third of what we asked for is a hell of a lot less. The Taoiseach must know in his heart of hearts that there is barely any possibility, regardless of how it is to be achieved — through bilateral negotiations or whatever — that that offer, a third of what he thought was necessary, can be raised to anything like a reasonable and acceptable figure before the time when a decision has to be taken.

Of course, the other main thing is that so much of the assistance which is to be made available to us is to be made available by way of loans rather than by way of grants. Any farmer building a piggery knows the difference between a loan and a grant. I will not labour the point — because the Leader of our party has already made it and it has been made by other speakers in the House — that a loan of this kind effectively is only an obligation deferred; it is not in itself a transfer of resources. The economists will tell you there is no such thing as the free lunch; everything has to be paid for by somebody somewhere. Far too much of the alleged aid we are being offered in return for a decision to join the EMS is of the free-lunch category; it will have to be paid back by the Irish people in due course.

There are certain other aspects of these loans to which I feel I should draw the attention of the House. One of them, which may be a comparatively minor one only, is that the interest rebates we are being offered, amounting to some £45 million a year, apparently are to be financed from the EEC budget. I would like whoever replies to this debate on behalf of the Government to explain to us whether these £45 million are to be financed by an EEC budget to which we ourselves will be contributing continuously. Therefore, will we, in effect, be contributing at least in part to this interest rebate which we are claiming effectively as a grant?

The second major problem about these loans is that effectively they will be provided for us in European units of currency. For various technical reasons it is inevitable that the greater part of them will be made in hard currencies.

If we go into the EMS; if we have to devalue, even within the narrow limits proposed by the EMS; or, worse

still, if we have to come out of the EMS altogether, subject to a greater devaluation, we will be in the position of paying back these loans in currencies hardened against ours in a situation in which our exchange losses could be absolutely catastrophic.

The third point I want to make about the loans is in relation to their timetable. The general impression is, because we have five years before we have to start paying back the loans, that, in some sense, we are being given a breathing space. Of course, this is not true because the five-year moratorium — assuming it is to be five years — applies to the capital only; we will have to pay interest.

There are also a number of key dates to which I should like to draw the attention of the House. The first of these is 1981 because, in 1981, for the first time, the interest — if we take up the full amount of the loan — on the payment that would be made to us in that year will exceed the amount we are getting by way of rebate or subsidy. Therefore, on that basis, we will be feeling the first chill winds of repayment in 1981. The contingency of 1981 to the date of the next general election, I suspect, is not entirely unexpected, nor is it altogether unlikely that this is a major factor in the Government's thinking at this time. The second major date I would bring to the attention of the House is the 1983-1984 period. This is the period over which our financial relationship with this loan structure goes through a radical reverse. In 1983 — if we were to accept this loan on these terms — there would be a net inflow of the order of £169 million. But in 1984 there would be a net outflow of £123 million. Taking those two together we are talking about a turnaround in a period of 24 months of £300 million. Certainly I would be interested to see how the Government of the day — which will not be this Government; it may well be another Fianna Fáil Government — will explain away to the people the need to raise those £300 million. Effectively what is happening here is that this Government, certainly on the basis of this proposal — and it is unlikely they will get anything very much more satisfactory than this — are putting the future very much in pawn to pay for the present.

I have dealt already with the question of Italy. I should like to move on to the question of the link with sterling. I have said that the Government here have been deliberately obscure and diversionary; that is a relatively mild description of what has been going on. The White Paper contains a paragraph about the possibilities and the options in relation to the sterling link. I will not read it in detail but it refers at the end to the possibility that Ireland could opt for a 6 per cent fluctuation margin even within the EMS, and finishes with saying that any decision to avail of the option of a wider fluctuation margin could be made in the light of the resource transfers or other facilities that would be available to Ireland in the event of membership.

The Government have not told us what other facilities might be available to us apart from the resource transfers. In fact their whole section on the link with sterling betrays a woolliness which falls very far short of the information that we in this House would like them to give us. The Taoiseach's speech this morning, unless I am greatly mistaken, did not refer to the sterling link at all, a most extraordinary omission in a situation in which he had the opportunity to reflect on the new position in which Italy is apparently committed to going in and we were, as yet, undecided. I would have expected more from the Taoiseach on this, and certainly his failure to deal with the matter is in marked contrast with the wrap-the-green-flag-round-me stuff that has come from some of his colleagues in an attempt to persuade the people that the real motive for doing what is proposed can be concealed by nationalist rhetoric and a failure to examine any of the options seriously.

Deputy Flynn, who spoke at some length, was under the extraordinary delusion in relation to resource transfers that everything was just about tied up. He said there was no doubt whatsoever in any businessman's mind but that we were doing the right thing in trying to join the EMS. I doubt if he has read the statements of many prominent businessmen and indeed, by trade unionists, because they have expressed serious reservations. In relation to the level and amount of resources to be transferred Deputy Flynn said there are only a few pegs in the ladder missing. I would hate to be buying ladders from Deputy Flynn or using one of his ladders to put against the side of my house to paint the wall, because, if Deputy Flynn really thinks that this package as presented to us is a fine financial package, with the exception of a few pegs missing, then he really ought to think again.

The other major point is that the Government have not come clean in relation to the seriousness of the



problems we would face. There is a section in the White Paper on this. Again, it is very woolly and very vague. There was no reference at all this morning in the Taoiseach's speech to the possible problems we might face either in or out. The Tánaiste said:

If we join the EMS we shall have serious problems and we have never pretended otherwise.

They may not have ever pretended otherwise but they have certainly not gone out of their way to draw the attention of the people and this House to the gravity of these problems, their nature and how the Government propose to deal with them.

Finally, I want to turn the attention of the House to my charge that the Government have attempted to conceal or minimise the domestic political and financial consequences of the strategy they are adopting. The Tánaiste went to considerable pains this morning to try to persuade the House — he adopted a special low tone of voice which he tends to adopt when he does not seem to be entirely convinced himself of what he is saying — that there was absolutely no relationship between this whole EMS question and the country's internal financial management as expressed in the Estimates and the budget. I will quote now from an unrevised copy what the Tánaiste actually said. He said:

Estimates are prepared a long time back. They are discussed by the Government. No Government could possibly be preparing Estimates on the basis of what might come from the EMS. Estimates have been prepared and are virtually

I stress the word “virtually” —

finalised in Cabinet without any reference to the EMS and our budget stance is being prepared on the basis of our economic strategy as outlined repeatedly before, during and since the last general election.

I would add two grace notes to that statement by the Tánaiste. One is by Mr. Michael Mills in *The Irish Press* today where he said:

The Government spent some time yesterday discussing the EMS before returning to the study of the Estimates for Government Departments for the coming year. Any connection between the two is entirely coincidental. Most Ministers are believed to have expressed their opinion on the new monetary system and on the terms offered to Ireland. Some Ministers are thought to favour entry to the system even on the existing terms but the Taoiseach's recommendation that the offer is not sufficient to meet Ireland's needs stands.

There we have the evidence of a reliable and trustworthy political correspondent who says that there are even within the bosom of the Cabinet some Ministers who believe, because they are no doubt desperate for money, that we should take even what has been put into the begging bowl by the rich nations of Europe.

The other grace note I would add is again in the words of the Tánaiste who, at the end of his speech, admitted:

There could well be sums of money received which would have to be dealt with in the public capital

programme.

If the Tánaiste seriously expects this House to believe there is no relationship between the public capital programme and the budget or the Estimates he must really be taking us for a considerable bunch of suckers indeed, because every Member knows the public capital programme is effectively capital borrowed for public works and the interest charges for sums so borrowed must, of course, find their place in the Estimates and in the budgetary strategy of the Government. It follows inevitably that, if a huge load of interest charges can be removed — I stress in the short term — by accretion of soft loans then there will be an equivalent amount of interest available for distribution in the Estimates between Government Departments and available to soften the impact of any budgetary taxation fiscal change. That is the link between the two and that is why there is an integral link between the EMS strategy and this Government's disastrously short-term financial and budgetary policy.

Deputy Flynn said, with more hope than conviction, that the future of this country was safe in the Taoiseach's arms. The Taoiseach has only two arms, and I expect they are fully employed at the moment keeping apart the sparring partners in his Cabinet. It may well be that the best thing he can do in the circumstances is to refuse to bow to pressure both from Europe and from the many hungry Ministers in his Cabinet to accept terms like these, which are manifestly unsuitable for this country, to put the green flag away in the cupboard and look again realistically at other options open to us. If he does this, if he refuses to allow himself to be ballyragged into accepting a deal that is patently unsatisfactory, even if it were to be the last service he would do for the people of this country, it might be the best, and only then would he be putting country before party.

**Minister for Health and Social Welfare (Mr. Haughey):** If this proposal of the Community Heads of Government for a new currency mechanism in the Community had no other result than to focus attention on our economic situation, with the intensity that it has, in my view it would have been well worthwhile. This proposal for a new European currency mechanism to which we are invited to adhere has suddenly made us all turn and look very seriously at our overall position as a national economy. It has, I think, compelled us to do that much more than we would have done in the normal course of events.

In one way or another, in the House and outside through various bodies like the ESRI or the NESAC, we have had under review sectors and aspects of our economy and trends in the economy. These examinations and reviews have been concentrated, as a rule, on sections of our economy, and more often than not they are concerned with warnings about dangerous trends in incomes, in our balance of payments, in regard to cost indicators and other such matters. We do not normally look at the economy in the round and try to assess it as a unit. It is only because we have come up against the problem of deciding whether to join this new monetary system that we have been compelled to subject the economy as a unit to a sort of performance test.

That is a completely different type of examination from the ones we normally undertake. I do not think we have had much time to carry out an overall assessment of the national economy, but it has been the subject of some examination and comment throughout the Community by different bodies and organisations. Different organisations and individuals have made attempts to do this, and in so far as our national economy as a whole will be subjected to some new type of situation, a number of people have felt it necessary to look at the national economy as a whole in a comparative way.

Let us look at what should have emerged from that new type of examination, that new assessment function that has been thrust upon us by these developments. A fairly complex picture emerges, at least in outline. There could be interminable argument about the details, but there are many criteria which we could use to assess the economy in a materialist international context, or indeed *per se*. The simplest argument, perhaps, that we could use for international competitive purposes is the economic one. There are others, but in the context of this debate or discussion, what is relevant is the manner in which, in terms of the materialist situation, our economy caters for our people relative to the economies of the other nations comprising the EEC.

It is very tempting at this stage to enter a number of areas of comparison, and I propose to qualify anything I say by making the reservation that I am talking only in a materialist sense and that I am not for a moment suggesting that there are not many other valid criteria that could be applied which perhaps could give more favourable results in our case. I suppose most Deputies are aware that there is a considerable volume of opinion, which is growing, in regard to growth economics. We have been brought up to speak in terms of growth economics, of gross national product.

At this stage of world development, I should point out that other theories are now being put forward to revive the simple old industrial revolution concept of constant growth in GNP being the be all and end all of economic activity. As I have said, for the purposes of this debate and discussion we should confine ourselves to the materialist aspect and examine whether the Irish economy is providing the same levels of materialist satisfaction as our neighbours throughout Europe are doing.

Confining ourselves strictly to that theory, we must admit that our economy is doing very badly. Let me immediately add that I do not accept necessarily that that poor performance is our fault or the fault of anybody else or indeed, as I have already said, that that is the be all and end all of the assessment of the situation, but the materialist criteria give a reasonable starting point. Looked at from the point of view of the normal consumer society indicators, we are in a very subsidiary state compared to our European neighbours, that is, if we are just to look at the usual criteria used to measure economic growth, prosperity and development in the modern world.

I suppose the simplest measurement we can consider is that of per capita income — there are many others. We could look at the number of telephones per head of our population, at the number of television sets per head of the population, the number of hospital beds, schools and so on. Whichever of these we take we will find, and I do not like to use the word, that we are in a backward situation: if we take the simple measurement of per capita income we will find that our economy is not performing as well for its members as most of the other European economies. Taking that measure alone, we will find that our per capita income by some standards of measurement is probably one-third that of Germany and our other prosperous neighbours. It is certainly less than a half. We are not producing goods and services at anywhere near the level of those who are at the top of the European league. It is not of any particular value to say who is to blame, but it is at the basis of all the talk of Ireland being a special case in the discussions regarding the evolution of the EMS. We are a special case because in the European league our economy at this stage of its development provides us with something between one-third and one-half of the materialist standard of living available throughout Europe.

We must accept that fact, but to say that is quite meaningless by itself. We must go on to ask why this is so. That is a far more important question and is relevant in the developments now under such intense discussion throughout Europe.

[...]

**Mr. Haughey:** How do we develop to the point where we are at the same level as the others? Are we not as intelligent as people in other Member States? Do we not work as hard as others in the Community? If we work, are we properly motivated? If we want to work as hard and be as effective as others, have we the means to do so? These are the questions we must ask ourselves in the context of these discussions. Are our industrial relations the problem? Do all these stoppages, lockouts and go-slows seriously reduce the level of output of goods and services by comparison with more prosperous countries? Is it in that area that the answers to our problems can be found?

What about the managements of industry, commerce and agricultural enterprises? Are they as effective, well-trained and hardworking as their European counterparts? Is it the taxation system that is at fault? Does our taxation system, because of lack of proper incentives or the prevention of the offering of proper incentives, hold us back in our attempt to reach the same level as our neighbours? The scope for debate in these areas is almost endless.

I imagine that many commentators and analysts would concentrate on one aspect of the situation. I want to put forward my suggestion as to what is the basic impediment or inhibition which keeps our economy in this state of inadequate performance which prevents it from contributing to our welfare in the way in which the German, Dutch, Belgian or French economies contribute to the welfare of the citizens of those countries. I am not terribly concerned with the British or Italian economies. This is very relevant because if we can claim with justification that the rate of growth in our economy is greater than in any other country in Europe nevertheless it is true that the disparity between the different levels of material prosperity in Europe is growing. In fact, the richer countries in Europe are getting richer and this serious discrepancy between our level of income and that of other consumer societies is increasing.

There is one factor which everybody must accept plays a major part in this situation. One factor more than any other, or at least in direct line with others, contributes to our low level of economic achievement. That factor is the level, the appropriateness and the suitability of our infrastructure. I suggest it would be generally accepted that the inadequacy of our infrastructure, our roads, telephones, technical education transport and all these things which for convenience are put under the generic title of “infrastructure”, is a major factor in our not being able to reach much higher levels of output. This is the major impediment preventing Irish industry, agriculture and commerce from performing in the way they might otherwise perform. I do not think they can be expected to function in the inadequate infrastructural environment we have today.

Whether if we had an infrastructure of the same quality and sophistication as the Ruhr we would be able to match the German economy in performance is another question, but we would at least be able to start out on level terms and if we were still not matching in performance we would be able to identify where the fault really lay. At this stage there is no doubt that a comparatively inadequate infrastructure is at the basis of our economic deprivation in terms of the European league. I used the word “comparatively” very advisedly because I believe that the infrastructure we have today is enormously better than it was five, ten or 20 years ago but everyone who looks at it in the context of these discussions must accept that it is the main inhibiting factor in our attempt to keep up in the economic race.

There is a corollary here with a principle that is often used by those who are concerned with the Third World and the hunger that exists in that area. When I was Minister for Agriculture the principle used in those days was, “If I give a man a fish I feed him for one day but if I give him a fishing rod I enable him to feed himself for the rest of his life”. In other words, it is much more important to provide the means whereby people can help themselves rather than to dole out temporary, short-term assistance. If we are provided with the necessary infrastructural means we can catch up but if we are only provided with temporary handouts and aid and with short-term benefits I do not think we will solve the problem.

My interest in the EMS debate is centred on the creation and improvement of our infrastructure. It is not exclusively centred on it but it is centrally based on that aspect. That is why the failure of the regional policy was probably the most serious disappointment of the Community to date. The regional fund could have remedied this deficiency in our structure. Potentially it could have been the mechanism that would have enabled us to come quickly from behind in economic performance. It would have been the means by which we could have been provided with our fishing rod but it did not work. It was a failure. The thinking and the philosophy behind it was wrong.

We have our own infrastructural programme. We have a public capital programme that is mainly directed towards improving our infrastructure. It is about £500–£600 million per year but it is becoming increasingly clear that that programme is not on the scale that is required. At the level at which it is pitched now it does not allow us to do what we would like to do in the European context. I would not say that we could not from our own resources develop it to the point where it would give us the results we need but everybody must admit that if we could get immediate access to some new major source of development means we could transform the country very rapidly.

So far as I’m concerned the question is, what does this new proposal mean in terms of our basic underlying

problem, namely, the question of infrastructure. What is proposed is a new exchange rate mechanism. In itself that would be desirable and would be capable of contributing to an expanding Europe out of which we would ultimately gain. We must be clear, however, that for most of the Member States involved this is nothing more than a new exchange rate mechanism and it is clearly seen to be such. Much of the comment in this country was confusing in this regard. Phrases were used such as, "We are going to be in", "We are getting in", and "We're in".

**Mr. L'Estrange:** Who said it? It was the Taoiseach.

**Mr. Haughey:** It was as if there was some new community into which we could enter. At the initial stages — I want to emphasise that — all that was involved was a currency exchange rate mechanism. The expert committee that looked at this came out in classic economic fashion with the dictum that if the exchange rates were fixed at the right level in the new situation there would be no need for a transfer of resources. That is the situation that presented itself to our negotiators when they came to discuss this matter.

Let us recognise what this exchange rate mechanism means and what our adherence to it *per se* would be if there were nothing else involved. It would have a number of technical advantages but not much more. It would help us to participate in an expanding and developing unit but it is wrong to think that an exchange rate in any way can effect internal development policies and programmes.

The foreign currency exchange rate of any country is to the national economy of that country very much what a weighing scales is to a person on a diet. It reflects the performance of the person but it does not do much more than that. The German economy is not strong because the German mark is a strong currency. It is exactly the opposite. The German mark is the strongest currency in the world because the German economy is the strongest economy in the world because the Germans can produce goods and services efficiently and at prices that the rest of the world want and have to buy. The approach of our negotiators to these discussions to my mind was the right one. We had to see in some way in the course of the discussions that we could have access to new means and to new resources that would enable us to develop our infrastructure, to develop our economy and solve our problems whether they were exchange rate problems or otherwise.

**Mr. Hegarty:** I was most impressed by what the Minister had to say. However, I must point out as someone who has listened to the speeches today that it is at variance with what some of his colleagues said.

I believe that infrastructure is important. Even if we do not enter the EMS it is an area that will have to be tackled with grant aid from the EEC. As a member of a country council, as I see it, we have massive infrastructural problems with regard to the development of Cork harbour. The whole burden of that is now falling on the shoulders of a few people, mainly farmers and business people. If there were never any EMS, we need this infrastructure.

I hoped that more reference would be made in this debate to the importance of the Common Agricultural Policy. It should have been spelt out by the Taoiseach as being very much an integral part of our entry. We all know that in the case of agricultural and related industries as Dr. Sheehy recently said so far as the subdivision of CAP is concerned about 70 per cent of the whole CAP reimbursement went into the pockets other than the pockets of the farming community, into marketing, transport and so on and that only 30 per cent of it actually found its way into the farmers' pocket. CAP is very important for us since most of our industries are based on agriculture. CAP has certainly proved its worth. I strenuously disagree with the Tánaiste who made the point that we in Fine Gael had slavishly tied ourselves to Britain over the last few years. The man sitting in the Chair at the moment could contradict that better than anybody else because he succeeded in obtaining, despite British opposition and defiance, a good deal for the farming community. We had a succession of green £s which brought the farming community up to its present level and has brought agriculture-related industries to the level where they are competing successfully with their European counterparts. Even the German Government with only 4 per cent of its population in agriculture are strong supporters of CAP because they see in it the constancy of supply of good food at realistic prices. When CAP did not operate, when sugar got scarce it went out of bounds. That is one of the good sides of CAP. Over the

last 12 months Britain has been doing a lot of spouting about CAP. From my small experience in the Council of Europe I am satisfied that Britain have alienated their Euro colleagues by this sort of maverick approach to the CAP and to the development of Europe. They do not seem to be interested in the proper successful integration of the Community.

With regard to our entry into the EMS we are glibly assuming that the Irish £ will appreciate against sterling on our entry. On reading a paper this morning I noticed that the opposite is true. In the first market opened by Barclays the Irish £ depreciated. That may be an indication of what the previous speaker was talking about. I am certain that admission to the EMS will cause some hardships, especially in the total absence of proper aid for our weaker industries. We had a good speech on infrastructure, which is important but it is not the be all. One highly successful industry is the sugar company, which is probably more dependent on roadways than most other industries. That illustrates that while infrastructure is important it is not everything. We must dig a little deeper when we are talking about aid to industries.

The previous speakers endeavoured to figure out why we cannot compete with German and with more successful European nations. There are a number of reasons. Some of our more important industries were only started within the last few years and we had the whole problem of technology, training and so on. We will always have the major problem of the size of industries here. We could compare, for instance, our own little steel mill with the massive steel projects in Germany and we will always have comparatively small enterprises. Sometimes that can prove to be advantageous. We are basically a developing nation. It is true that even with grant aid some of our industries will be under severe pressure in an EMS situation, especially in the intervening period while Britain remains out, which will probably be the most difficult period for us, when Britain could possibly start moving stuff in here at lower rates.

I agree with some of the previous speakers. We cannot wait until Britain has concluded her deal, because if we do we will be left with very little negotiating muscle. Obviously, if Britain had her elections over in the morning it could well be that by the following morning they would be in the EMS having duly sacrificed CAP in the process. I would hate to think that we would, at that stage, have to go along and try to salvage the Common Agricultural Policy and indeed a good deal for ourselves. We must admit that even in our present situation the fact that we have a fluctuating currency is affecting trade. In the purchase of equipment whether industrial or agricultural, from the mainland of Europe it has been almost impossible to buy forward at the moment. For instance if one were to request a tractor of a specific make and agree on a price, if there was a delivery problem of maybe a couple of months, it is quite possible that the whole deal would have to be re-negotiated, so that as we are now we have very real problems. Indeed the business sector in the present situation find it most difficult to evaluate their purchases on a commitment basis. Fortunes have been won and lost in the sort of fluctuation that goes on at the moment.

The Sugar Company have to order large amounts of fertiliser in advance and they always find that the agreed price has been adjusted. Such a situation makes it impossible for our industries to keep to their budgets. To be successful an industrialist must ensure that his contracts are not subject to unforeseen crises. What may seem to be a good deal on face value may lead to bankruptcy when tied to floating currencies.

The EMS is a serious issue. I was surprised at the different attitudes adopted by Government speakers. We were told that the sums had been done. The figure of £650 million was mentioned and I accepted it as being sufficiently realistic to help our industries. Now we are talking about entry at an insignificant figure. If we need £650 million to participate then £650 million it has to be. I am sure that the experts did not exaggerate. They looked for something which they felt was necessary and I believe that we should have stayed with this figure. It is in our interests and in the interests of other European nations that we should become an effective member of the Community. In the past they have helped some of our deprived areas. Was sufficient emphasis put on the importance of grant aid? In view of the generous responses from the Community I am sure they would have accepted the figure of £650 million. As the previous speaker said, if you teach someone to fish, assuming there are fish one can make a living. No matter how wealthy the other European nations are, they cannot continue to give us grant aid.

We were told that there was a great deal of secrecy about this matter, but I believe that the Leaders of the

Opposition parties and our social partners should have been advised of the negotiations. What consultations have taken place with the trade union movement and with the workers in our industries? What did the Government say to workers in companies like Youghal Carpets, Blackwater Cottons, Middleton Worsted and so on? As their livelihoods are involved, we cannot tell them in 12 months' time that they are victims of the EMS. If the Government had discussed the matter with the leaders of our industry they would have received more support. If the Government had done that people would not now be asking what it is all about. People are concerned with our weaker industries and are wondering if they are going to be closed. When people discuss the matter with me I always try to reassure them, but I know they would prefer an assurance from the Taoiseach.

The leader of the farmers admitted on television that the Government's approach to the EMS was amateur. What was more serious was his admission that he had not been consulted. The green £ may be phased out and our substantial meat exports to Britain may be in danger until the British decide to join the system.

There is still time to rectify many of the initial negotiating mistakes. We need not be running back and forth to the Germans and the French. It would be more convincing if the Taoiseach could tell them that our social partners are satisfied. It is in the interests of all concerned that we should have a closer knit Community. That is the goal that we should all move towards together, a stronger Europe. I could see the benefits as being substantial in the matter of new industries coming here. Firms such as Dupont and Fords would be very interested, I imagine, if we made a successful deal as regards entry to the EMS. We must look outwards. We must meet the people and discuss it with them. In a modern democracy looking into your soul is no solution to a problem like this. In my estimation this deal is just as important as our initial entry: it is certainly the next greatest step. It cannot be used as a way out of any Government financial difficulties or budgetary problems. We cannot accept another loan which would totally disregard long-term consequences merely to get out of short-term difficulties. We cannot allow Ireland, heart and soul as it were, to be sold in the interests of any political party regardless of the good of the Irish people. Borrowing is certainly not the answer. To my mind, we are already borrowing dangerously. Every loan must be repaid; the bank manager must be met eventually. Even a moratorium only puts off the evil day. It might have some short-term advantage but in the final analysis these massive loans would have to be repaid.

I do not accept what the previous speaker said about infrastructures solving our problem. The real answer to our young and struggling industries — that is what many of them are — is proper grant aid so that within the factories necessary development work can be undertaken to make them more efficient, so that more money could be spent in training young people to participate in industry, again leading to more efficiency. We are already receiving grants and I cannot see why there is so much objection to giving us grants in this instance. I think it is chiefly because it was not spelled out properly. If the problems of our industries were properly explained, the problems of growth and development, and that people who initiated these industries put themselves into a heavy borrowing position to get the industries started, it would make the position clearer. In order to give a man a good start you do not give him loans which could very often put a halter around his neck.

I should like to see our negotiators going back and demanding that grants be given to ensure that we would take our place among the other nations. I have no doubt about our ability to do so. We have had some of the greatest industrial successes in the world. The inhibiting factor seems to be the fact that we are a poor nation, very often dependent on the whims of multinationals. That has caused some major industrial problems in the past. I am convinced that we could have a first-class future if we could negotiate proper terms which, in my book, would be by way of massive grant aid for this country.

The whole atmosphere of uncertainty is doing a certain amount of damage. Our present approach can be compared to that of a man building a house without foundations. Time may not be on our side — I fully appreciate that — but I believe there is still time to have discussions with our social partners and have it spelled out for them in layman's language what is involved. There was sufficient confusion here today in highly technical language but there must be a simple way of explaining what is involved for our people. Having done that, we could go back to the EEC saying: "We will participate. We will do our job if you give us the initial, once-off grant necessary to do it."

**Mr. Blaney:** This debate so far has not added a great deal to the knowledge we have been seeking since EMS was first mooted. It was of little account today whether the Opposition could score off the Government, whether the Taoiseach was confused as between his outlook as expressed on the night when things blew up and the opinions expressed by his Ministers for Finance and for Economic Planning and Development. What is perhaps important is whether we have yet been given sufficient indication of what is involved if for no other reason, whether we are going in or staying out, than that the people we represent here and who are all-important in these decisions should know what we are about in their name.

As a Member of the House trying to decide what is at issue I must admit that I am still not very clear about it. One thing that does emerge and which has some attraction but which in itself would not make a great difference between whether we should go or stay is that the concept would seem to envisage creating a situation in which stability between currencies within the Nine would be secured to a greater degree than heretofore and that therefore we would have fewer fluctuations and less chance of the wild inflation movements which we have experienced to our cost in recent years. Outside of that I have not yet heard spelled out the exact material advantages for us — leaving out altogether whether we get loans or grants or nothing — of going in. I am still puzzled about that while at the same time not ignoring the voices in the wind that clearly indicate to me that if I were to have a bet tonight, the bet would be that we are going in. When I say that I am still asking myself why are we going in, I wonder whether the Government and members of the party who ultimately will make this decision know clearly and concisely and without doubt why we should go in — if we are going in as I believe.

It was only five or six months ago that there was any real publicity about this which brought it to the notice of the ordinary people. We heard of it and it was publicised that we here were all for it. It seemed from there that it was only a matter of moving along and informing the public and this House and the other agencies of the State as to what it was about, having had the indication from the spokesmen for the Government that this was a good thing but without the qualifications, without the detail and without the knowledge that we are still without to a large degree. As the months moved on and we got nearer to the time of decision the only thing we really began to get then was that there were conditions that were insisting upon being fulfilled by the other members of the EEC if we were to go in.

As it drew near to the weeks of final decision it emerged that the figure put on our requirements was £650 million and it was put around that this was to be by way of grants. Then as it came to a final climax last week we were rather sure that we were going to get what we were seeking because of the very good publicity that seemed to follow the Taoiseach's rounds of the heads of government of the three major powers, Britain, France and Germany. It only added to the confusion and the disillusion and disappointment when last week we found we were not doing at all as well as the Taoiseach was obviously led to believe by the heads of these three Governments. So what ignorance existed before then was compounded by the confusion created after the event. One national newspaper of last week printed big headlines one day in the middle of the week that we were in and on the following day the headlines in the same newspaper were that we had been conned.

I am still speaking for the ordinary members of the public who are more confused today than they were a week ago or a month ago. While the concept of overall stability and the cessation of the violent ups and downs and swings between currencies and their relationship to each other is a grand concept it is not the full answer obviously. That alone would not be a reason why we would decide at this stage to go in. It just would not be enough, being offered much less than we regard as necessary to make it attractive to us or indeed worthwhile for us to go in.

When all that is said and done it does not matter at this stage whether we were conned; it does not matter whether we were confused or misinformed or misled or anything else. The decision is still being taken. In this regard this idea has now come through that instead of grants the only thing that is available to us is loans or a transfer of resources. I would like to ask a question on that aspect. How, by way of repayable loans or money can one truly transfer resources from the lender to the borrower? If money is borrowed and must be paid back, no matter how small the interest, by the time the total transaction is completed a transfer of



resources has taken place but in the reverse direction; the borrower will have transferred his resources to the lender rather than as is being put across at the moment the lender in some way transferring resources to us. If the money is repayable and there is any interest on it then the balance is in the reverse direction and the transfer of resources instead of coming to us will, to the degree of the interest be a transfer of resources to Europe, to Germany, to the stronger powers within the EMS and within the EEC.

If I am wrong I would like to hear it explained because that is the way I see it. If the way I see it is right how then do we tally this with the needs that the Government and all their advisers have calculated as being an exact figure of £650 million? The Government have calculated this figure as being the sum required to be transferred by way of true transfer of resources from within the EEC to this country in order to enable it to participate in full and be a worthy member of the whole EMS set-up. How do we now contemplate the substitution of loans for grants of £650 million, whether initially in one lump or spread over five years or whatever the case might be? How can we now reconcile that calculation of a need for that net amount by way of grant to us with what is now more likely to happen, a transfer, but not really a transfer to us but the provision and the making available of loans to this country? They just cannot tally; there is no way in which they can be reconciled and in fact the transfer of resources will be in the reverse direction given whatever the period may be that the loan is spread over.

These loans or this money or transfer is obviously not going to be granted to the degree that we have regarded as essential. Are we going to use it for this infrastructure that we have heard talk about? Have we given any consideration — and I hope the Government have and are giving consideration — to the situation which will arise for certain of our weaker industries who immediately can see that if, on our joining the EMS, the Irish currency moves above the sterling of Great Britain, they will then be in a non-competitive position resulting in loss of business to them or perhaps even in their going out of business and that would be a calamity for them and for the workers, with more people unemployed. Whether or not we get any part of any of the resources, whether borrowed or by way of grant, are the Government doing something positive about helping to cushion those immediately endangered industries for some period to help to improve their productivity and render them more competitive against the new breezes that will be blowing? Have they taken and are they satisfied that they are taking steps to ensure that these industries are not wiped out merely because the Government did not do something about them in time?

Have the Government also considered just what the immediate situation is going to be as between Britain and ourselves? The breaking of the link is a grand concept and one which immediately raises traditional emotion in the hearts of many of our people here, but looking at it from the point of view of both Britain and Ireland it is not one-way traffic by any means. We are no longer dependent on Britain to anything like the degree that we were over the centuries but nevertheless we still do 48 per cent of our export trade with Great Britain and let us not forget that a very substantial part of her custom lies here in this island as well. So it is a two-way movement and one which will affect both of us, if in fact the parity that has existed and does exist at this very moment disappears.

Let us remember that it can disappear whether both countries join or not. There are people who believe that if only Britain were in things would be just the same as they were before and that there would be parity. This is not true at all. If we both go in we both go our separate ways. Our currency and its value within the EMS will have its own separate values. If these happen to be, by accident, by coincidence exactly similar to Britain's then we would have parity but by accident, not by design, not by anything we can do unless we have, behind the scenes and with the agreement of the EEC and the whole EMS set-up, a bilateral agreement with Britain whether in the interim she remains out — which will be undoubtedly until the election is over because Mr. Callaghan is too long around to turn away the support of the pro-EMS people in saying he will not go in or the anti-EMS people by saying that he will go in — or after she joins the EMS. He will postpone a decision until after the election and perhaps at that stage it might not be he and his Government who will have to make the decision.

Surely, between now and the election in Britain, if we are to join the EMS and because of the magnitude of the inter-trading between the two countries, there is necessity for us to have some sort of acceptable bilateral understanding that would retain, while we are in the EMS and they are outside, some sort of parity that

would bring us along to the point where Britain would make her decision. There will be changes whether she goes in or stays out, if either one of us goes in and the other stays out or if both of us go in. There will not be parity unless both of us stay out.

I am asking those questions in the likelihood that either one of us or both of us will go in and there will no longer be parity. What are we doing in the weeks and months ahead in regard to trading between ourselves and Britain? What are we doing particularly about cross-Border trading, which is one of the things very much in my mind and naturally in the minds of the people I represent? Those living on the Border or near the Border are very interested in the answers to those questions. What are we doing with regard to the weak industries about providing for them so that they will not go to the wall immediately with the initial draught they will take?

The Minister for Health and Social Welfare said that the Mark is the strongest currency in the world because it represents the strongest economy in the world. This is only because their productivity is second to none in the world. All the loans and all the grants that we may get, wherever we may get them, will not alter our position so far as our currency of the future is concerned whether we are inside or outside the EMS unless we can do something about raising our productivity. This means taking off the unemployed register as many people as we can and putting them to work. If we cannot do this we will be dragging along with the beggar's bowl five years from now, more even than we are today, whether we go in or stay out. It is better to employ more people doing essential jobs. At the moment we are giving money to people for doing nothing. If we improve our productivity it means that we go into the EMS without a beggar's bowl or we can stay out without it. It is important to get people back in employment in greater numbers than ever before, building up the assets and wealth of the country, providing that which we want today but which we will be paying more for 20 years from now. We have the tools to do this, we have the men to do it and we can get the money to do it.

We have not to be dependent in a beggarly way on Germany, France or anybody else if we are prepared to buckle down, put our own resources to work, create the capital, put the people off the dole on to the productive work of providing the necessities we need here of infrastructure and others, and all those other things will follow. We need not have any fear about the EMS, what effect it will have or will not have, whether we are in or whether we are out, as it rests with us. We need productivity. Employment is necessary if that productivity is to go up. We have it all at our hands, and instead of doing the job in that way we are arguing about how we go in and how much we get for going in.

**Mr. M. O'Leary:** The subject matter of today's debate and the one we had some time ago has very serious consequences for the country. The debate we had previously and the one we are having today suffer the limitation that a great deal of the arguments and counter-arguments heard from these benches relate to the policy of the Government as defined by us. The difference between our debate today and on the last occasion is that the Taoiseach explained to the House then that negotiations had scarcely commenced and that in fact it was not open to the Government to expose much of their negotiating hand. The position today is that we understand there is still the semblance of a negotiating position. There has been a result, there has been confusion about it and there is now apparently the possibility, according to Government speakers, of a decision in the wake of those confusing results.

The Taoiseach, whatever misinterpretations he may claim his statements have been subjected to, appears to have been disappointed with the results of the recent European Council meeting. He has made it clear, whatever may be the charges and counter-charges on the merit of the accuracy of his grasp of the figures that were offered, that he could not recommend the figures he understood were offered him at the Council meeting. That limitation is hanging over all our discussions here today. I do not know the result of the decision of the Italian Parliament, which obviously has a heavy bearing on the course of this debate and presumably has some connection with whatever eventual Government decision may be made.

There is a distinction between the proceedings in the Italian Parliament and here. The Parliament there is at least in possession of their Cabinet's recommendation. That is not the position in relation to this Parliament as we are not, as of now, in possession of the entire Cabinet's recommendation in respect of the present

negotiations.

The Tánaiste likes to deal in primary colours. There is either rejection or acceptance, for or against, one is Irish or not Irish, there is the national interest and there are those who are against it. The Tánaiste, following that line of thought, this morning challenged the Labour Party to state where they stood in regard to this matter, whether they were for or against it, as if the matter was one of simple black and white alternatives, a decision one way or the other. The Labour Party have made it clear from the very start that our primary concern was the protection of employment. That remains our primary concern. That was why we put forward the idea of a resource transfer. We thought that necessary to defend existing employment here. We did not believe that the loan option, however generous, would be in the same class of superiority as that of the resource transfer. Our attention, therefore, has been focused on the terms of entry.

The Tánaiste asked for our view on the whole question and asked whether as a party we have any commitment to the question of the monetary system itself. Without the grant arrangement it is our belief that the terms would not be such as to command the support of this party. From common observation we realise that there are certain industries, such as the shoe and leather and the textile industries, that are very vulnerable and which would be in need of strong action in the kind of situation envisaged in the EMS. There have been representations from both management and union side in those industries in which concern was expressed regarding a possible worsening of their position, both in terms of employment and in the overall situation.

The availability of cheap credit facilities as distinct from a resources transfer mechanism would not be as satisfactory as low-interest facilities would fall to be repaid, as an outright grant would not be. We consider the important consideration to be the obtaining of a clear undertaking that adequate resource transfers would be made available to counterbalance the serious consequences that would befall employment. Presumably that was why the Taoiseach decided that the terms were unsatisfactory.

So far as the Tánaiste's challenge to us is concerned, we are as aware as is anybody else here of the advantage that would accrue to the national economy in the event of our not being tied to the interest rates that have prevailed in Britain in recent years. We are aware, too, of the advantage of having more control of our economic destiny, but we must stress that the terms of any movement away from the link with sterling, in the context of the protection of employment must be a right move, and that is why we have been critical and questioning but have not been reassured by the kind of bargain that has emanated so far from the recent talks. Indeed, in regard to the challenge thrown out by the Tánaiste as to who was on the side of greater economic independence in relation to EMS, as to who was on the side of breaking the link with Britain, the point could be made that since our independence there has been an inverse ratio between the rhetoric of independence and its practical implementation in economic matters. In the period since independence the party opposite have held sway much of the time. However strident has been our commitment to sovereignty and to the formulae of sovereignty, we have shown scant interest in seeking to break the currency link which tied us in every major economic decision to the dreadnought UK.

The terms must be right if we are to seek the opportunity of breaking the link with currency. As we have said from the start, our entry to the EMS must not be at the expense of employment. We have been very strong on that point. Regardless of what terms are negotiated the vulnerable industries and, consequently, the employees, must not be asked to pay the price, especially since those employees and workers generally have been asked previously by this Government to pay the price. We are more determined than ever in seeking guarantees for the protection of employment when we consider the chicanery and the shameful juggling being engaged in by the Government in defending their programme on employment. The unemployment register becomes like that oath familiar to those who have knowledge of the early history of the party opposite, that was, an empty formula. The unemployment register has become almost as shadowy and as phantom-like as that earlier oath when one considers the arguments of somebody such as the Minister for Economic Planning and Development, because when we talk about a reduction of unemployment we are no longer talking of a reduction in the number of those on the live register. We say that the unemployment register exists but the people opposite said that this year they would reduce by a specific number the number on the live register. That undertaking has not been honoured.

[...]

**Mr. M. O’Leary:** To the Government who chastise us because we are not in the same national interest mould as they, we would say that they have broken their promises on employment so far and that the terms they have pronounced are not good enough to command the support of working people, because we have not been convinced that employment can be protected in the difficult period ahead should we decide eventually to join.

Therefore, we are right in seeking terms that are consistent with the protection of employment, because jobs lost in the adjustment period ahead will not be recreated by a Government who have broken solemn promises on the jobs front. I trust that I have replied adequately to the Tánaiste’s challenge, a challenge in which he endeavours to isolate the Labour Party from what he conceived as the national interest. The national interest dictates clearly that we should seize any opportunity available to us to get more control over our own economic development to ensure that our interest rates are not dictated by the city of London. But in seizing the correct opportunity for breaking that link that opportunity must be wedded to terms that protect employment in the context of the grave unemployment situation which exists here, especially when taken in the context that the new jobs created this year are based on policies which obviously cannot be pursued indefinitely. When we remember that the new jobs created this year were not brought into being by private industry, are not based on manufacturers and do not have a sustainable basis for the future, our fears are all the more increased as we look at the protestations of this Government on the issue of employment. An adequate transfer of resources and a specific plan to protect vulnerable employment over the adjustment period are needed.

If it comes to pass that this Government enter the EMS, none of us in this House knows the full implications for the length of adjustment. No one can foretell that. We do not know how long the difficulties may last, but we are clear about one part of the scenario because of the close link that has existed and still exists between ourselves and the British economy. A great proportion of our exports still goes to Britain and unfortunately a great amount of their imports in recent months has been coming into our home market, with a great number of Irish export jobs depending on that British export market. It is clear, whatever other complications may exist in relation to this question as to Government intentions or to the future relations with the EMS, that there is a great danger in the context of Irish employment that our goods on that British market will be more costly if we move into the EMS with Britain not doing so for a period, the possibility being that markets will be lost to us in Britain. Therefore the consequence for home employment is jobs lost.

It is, therefore, clear that the Labour Party would not be doing their job in this House or in the country if they were not very concerned to ensure that the terms, especially as they impinge on employment, were right. That does not take away the fact that we are conscious of the advantages that would accrue to the economy, in the event of the terms being right, by adhering, in a basket of currencies, to other currency systems speaking away from the sterling link. The connection with sterling has meant that there has not been any real control in the home economy by Irish Governments. It has meant that, willy-nilly, our interest rates have had to climb up. It has meant all the other constraints and difficulties that have hampered our efforts to bring into being a pattern of economic development here. The two countries are dissimilar, their needs are different and it has never suited Irish national economic aspirations that we were tied hand and foot to the British economy. But the terms must be right.

A lot of this debate has been concerned with the excellence or otherwise of the negotiators. The Tánaiste this morning threw down the challenge that the last Government had not exactly excelled when it came to negotiations on the Regional Fund, although anyone conversant with EEC affairs would know that it is not a very fair comparison to cite excellence of negotiating capacity one way or the other. The Members opposite know that several major members of the Community have had very strong views from the beginning on the size of the regional fund itself. The Tánaiste went further. He challenged the Labour Party. He went further still in comparing the performance of the present Government with that of the Coalition. I do not know what led the Tánaiste today to believe that it was important from the Government’s point of view that he should put the record right on the excellence of their negotiating tactics, but apparently he felt it necessary.

Probably the recent confusion on figures, on what has been achieved or otherwise, led to this necessity that the Tánaiste perceived in making the claim to be better negotiators than the previous Government.

Further, he detected a new stature which had been won by the present Government in the EEC. He does not say who won this coveted European stature award or which member of the Government is responsible for bringing home this trophy. We do not know whether it was the Minister for Foreign Affairs who won this European Oscar or whether it was the Minister for Agriculture. Perhaps in his modest way the Tánaiste was putting himself forward as the candidate who had brought home this prize as one of the Government's negotiators. Of course the Tánaiste has never been a man to hide his light under a bushel. It is probably not advisable in politics to have that trait of modesty. The Tánaiste was scarcely a term in this House before he aspired to be Taoiseach. Some of us are long enough in this House to remember that aspiration of his, and there is a lot of evidence to suggest that he still has it. The Tánaiste said this morning that when they came into office they were not long in Europe before the members of this administration discovered that we were regarded as an appendage of Britain. That was discovered by these newly minted Republicans back in office. I quote him: "It took some time for the penny to drop amongst our other Community partners." A new force had arrived in Europe with the election of this Government. The expression "the penny to drop" is an unfortunate one and the Tánaiste would be well advised, when he is making the claim to a new stature, to get a more imaginative scriptwriter, because at the very heart of this debate on the EMS we are talking about pennies, even if they are of the Deutsch denomination.

The Tánaiste talked about inheriting the situation of an appendage of Britain. We may rest assured that in future attention will be paid to the Irish views on matters of finance and economics. Presumably the Tánaiste is in fact shyly putting himself forward as the person who has won the coveted award in Europe this year as star negotiator.

**Mr. Kelly:** High standards in high places.

**Mr. M. O'Leary:** It must have been. We will leave aside the question of whether they got the figures right because that has been debated exhaustively enough. At the end, whatever the Government may decide, we will judge the excellence of their negotiations by the results. I do not wish to delay the House tonight in raking over the figures that have been misunderstood or otherwise. If this Government have something up their sleeves presumably we will at some stage hear about it and we will be able to do the sums. We will say loud and clear what we think of the results of the negotiations of this Government.

Hearing the Tánaiste today, one wonders about this new stature which has been won in Europe by this Government in matters of finance and economics. One wonders if this is the Government who sent the Minister of State at the Department of Finance, Deputy Wyse, to Finance Ministry meetings, as they did. Of course Deputy Wyse is a decent man but I would have thought that it was subjecting him to some strain to send him to Finance Ministers' meetings prior to the Bremen meeting. It would be interesting to know how many Finance Ministers' meetings were attended by the Tánaiste prior to the shattering events of Bremen. I do not have the impression that the Bremen decision took him unaware, though I suppose there is no obligation on Deputy Wyse to tell his boss, the Minister for Finance, what has been happening out there. He is a busy man, with Wood Quay and so forth on his mind. Certainly I would not have thought it was the correct preparation for a Government who claimed, in the words of the Tánaiste, to have won a new stature in negotiation tactics.

We will judge the excellence or otherwise of the negotiations by the final result. It is unclear whether we have had a final result. One understands that there have been further meetings at official level. I suppose to some extent the Government are in possession of whatever extra facts have arisen as a result of these meetings. We are not in possession of those facts. Presumably the Government, if they intend to take action on the matter of entry, will be declaring what are those facts and we will be judging them.

We have been talking about the negotiations, the reasons that led the Labour Party to their view on entry to the EMS, foremost being our concern to see that employment is adequately protected. Not as much attention has been focused on the kind of disciplines that would face us in the event of our membership of the EMS,

the kind of fiscal discipline that may well be necessary. The debates we have had to date have concentrated in the main on meetings that have taken place and assume support for our position. However excellent are these negotiators in the present Government one cannot repress the feeling that there has been an immense gap between their published expectations, a certain confidence expressed at an earlier period of the negotiations, and the end result.

However one may dress it up the fact is that we are faced here with a series of loans. There is no doubt that there is a very big gap between the kind of grant element in the loans and the kind of grant element looked for by the Government initially. The debate we have been having has concentrated, from the Government side, on the contacts they have made, the kinds of expressions of support that were forthcoming. There has been little heard, except cursory references, of the kind of discipline that might be necessary were we, in the EMS, to try to bring our inflation rate down to that of the German rate. Perhaps it is for a very good reason there has been this coyness on the part of the Government to discuss this aspect of their negotiations at very great length. The reason may have something to do with the fact that we are still discussing the possibility of entry to the EMS at a time when all arrangements for decisions on the incomes question next year have been abandoned.

Some time ago I asked the Taoiseach whether there were any plans by the Government to encourage the emergence of orderly wage negotiations next year. The Taoiseach said that the present national agreement had something like four months to run — not to worry. That is a strange view from the head of a Government involved in attempting to get into the EMS, an integral part of which — no secret has been made of this by, among others, the German Chancellor or the French President — will be very tight surveillance of incomes. There are no arrangements here at this point in time for the encouragement of any method of dealing with this matter next year. Legitimate speculation may be entertained on whether a Government — or certain members of it — which appear to be devoid of any plans for the serious matter of the arrangement of negotiations on incomes next year, are not pinning their hopes for control of incomes next year on our membership of the EMS. It has been suggested in certain sections of the press that the prospect of an easy budget is brought nearer by the possibility of soft loans in the EMS.

The Minister for Economic Planning and Development has of late — and I stress of late; he was rather silent on the issue earlier in the year — been sounding a note of alarm on the incomes front as we know it at present. What can be said is that certain members of the Cabinet have been referring to the trade unions as culprits, stating that wage claims have gone beyond the figure set by them and that that was another reason employment targets were not being reached this year. Of course they are a Government fertile in excuses. They are a Government who, despite their large majority, are never responsible for bad news.

[...]

**Mr. M. O’Leary:**

[...]

The point I am making is that a Government seriously contemplating the possibility of entry into the kind of stringent discipline that would be required of membership of the EMS have no plans at this time for the arrangements necessary this year for negotiation of wage questions. I do not know how they answered this one at the recent series of meetings. I do not know whether the reply given by the Taoiseach in the Dáil that it was four months away and that was time enough to look at it, was satisfactory when Helmut Schmidt asked that question, as undoubtedly he must, because it is an elementary one for any country seeking membership of the EMS.

The point I am making is that the Government have not been very forthcoming on this aspect of their negotiations on EMS membership. I say this with good reason, because they have no ideas on how this matter is to be tackled. At this point their solution is: get into the EMS to see if the foreigners, the other partners in the Community, will settle their domestic problems for them. The question may well be asked: how many members of the present Cabinet see in the EMS a statutory wage policy under another name? It is

a valid question.

**Professor O'Donoghue:** If the Deputy had been in the House earlier he would have heard me answer that question.

**Mr. M. O'Leary:** I know there are several Walter Mitties in the present Cabinet. With all humility, I think I am asking a very significant question. I am asking to what extent members of this Government see in membership of the EMS next year the imposition of a statutory wages policy, since they have made no arrangements and have expressed no intention of attempting arrangements for the discussion of wage negotiations next year? Whether the kind of industrial relations situation we have at the moment — I refer to the strikes and disruption taking place — is a good prelude, and I am here talking about the possibility of our entering the EMS; we do not know the terms or the kind of disciplines required and one of the important disciplines would be some kind of incomes policy — is a good prelude to entry I tend to doubt. We have had industrial disputes. We have faced a series of industrial disputes which threaten to widen the rift in a society which is ridden with conflict — strikes, go-slows, factory disputes, all indicating widespread employee disillusionment with current economic policies. The public sector which employs one in four of the work force has been very seriously hit by strikes over the year — Aer Lingus, the ESB, CIE, the Post Office. In fact the Post Office are threatened with yet another phone strike before Christmas. The ESB have been plagued with industrial disputes in the major power generating stations. The members of the Post Office Workers Union are being pressured to strike. We have the busmen threatening to strike in January. Most of these disputes have at their heart an argument about incomes.

It is legitimate, I think, to consider whether in fact that kind of situation, chaos in industrial relations, is the best preparation for entry into the EMS. One would expect that a Government which were serious about undertaking all the obligations of EMS membership would be at pains to spell out the implications of membership in these conditions. It is difficult to see how the transition can be made from the kind of dispute-ridden society we have to the kind of discipline required in the EMS situation. One would expect that, if the Government were serious about all of the implications of the EMS, they would now be hard at work spelling out their ideas on how wage negotiations would proceed next year instead of the kind of nonchalant comment from the head of the Government that there are four months to run and things will presumably look after themselves.

We believe that the Government have underestimated the possible deflationary effect of the EMS on employment. We had from the Taoiseach this morning something which almost amounted to a denial that different sectors might be affected by membership. There were, he said, too many variables and, since there were so many variables, he doubts now that any industry will be affected by EMS membership. He is taking very lackadaisically, indeed, the inherent threat to Irish employment. The Government seem to ignore their own responsibilities as the elected Government. They are never tired of telling us they have a mandate to rule, and yet on the crucially important question of incomes there is no advice offered by the Government on how things are to be managed next year and how agreement is to be won between the social partners, the employers and the trade unionists.

Now I have some experience of the difficulties inherent in this kind of exercise. Yet, within what may be days of EMS membership, there is no information from this Government on how they see things being managed on the incomes front next year. Is it any wonder, then, that Opposition spokesmen have taken the Government to task on their negotiations to date? Is it any wonder that we express our criticism of the kind of figures that have been produced here? Is it any wonder that we are still here at this late hour asking for guarantees that employment will be protected in any new arrangement? Is it any wonder we ask how incomes are to be decided next year in the absence of any information from the Government? The Government in their budget early this year signalled to all and sundry that the good times had come in permanent form. Employment was to be improved. Rates were abolished. Nice things were being done and, following from them, a mood of moderation would sweep the country. In this very House the Minister for Economic Planning and Development quipped that the previous national agreement had been overtight and their attitude towards incomes would be more generous. We now find him at the end of the year pleading that they were, of course, too generous by far. I believe it is a difficult thing in a democracy to explain the

connection between moderation in incomes and the retention and expansion of employment, but it is a job that politicians elected to run the economy must do, whatever the unpopularity may be in doing it. It is a job which, if you are to get the support of the trade unions in that task, you must also for your part listen carefully to their suggestions and, wherever possible, incorporate them when they are sensible. That is why this Government has been asked repeatedly to listen to and act on the suggestion of the Irish Congress of Trade Unions that a national development corporation be established to help foster employment. So far the Government have resolutely refused to act on that suggestion. The Government in the budget evaded the main economic issues for a Government serious about expanding employment. The signal is there from the NESG that borrowing will not be reduced next year, and that indicates that the kind of thinking which inspired the last budget, which I described as a major economic miscalculation, is still not absent from those benches opposite, and I am deeply mistrustful of the real reasons why this Government want to bring this country into the EMS on the terms known to us.

[...]

**Mr. Kelly:** I can remember the Minister saying something along the lines he has now outlined, but let us take what Deputy O'Leary and others have been saying about their worries on the EMS question, and that is the immediate impact that joining the EMS without Britain will have on certain vulnerable industrial sectors. Either the Department of Economic Planning and Development, if they are worth their salt, have information and have made assessments in regard to these vulnerable sectors or they have not that information and have not made those assessments? If they have not the information and have not made the assessments, then the Minister should resign and take his Department with him. If they have the information and have made those assessments and have anything to say to industry or the unions, why can it not be said here in the White Paper? Although this bundle of typescript weighs a couple of ounces, it consists mostly of photocopies of EEC documentation. I have seen more trouble put into a script for the Minister for Health in opening a swimming pool or the Minister for the Environment in opening a car salesroom. It is beyond belief, even with all the reservations made by the Minister opposite, that the Government could seriously produce this as a document on which this House might discuss this historic step. It is a feeble effort. The speech with which the Minister opened the debate this morning was also a feeble effort and he almost forgot to mention the White Paper.

I am in doubt — and I am sure the Minister would admit the same — as to what I would do if there were a lever or switch in front of me, the operation of which would put us into the EMS. I can see there are arguments in both directions and I recognise the force of them. I agree with the Minister and I believe I would carry my party with me in saying we are in favour of the EMS if the conditions are right. I understood that to be the position of the Labour Party also. The Minister said the same thing on 16 October. He said we would go in if the conditions were right. What does that tell us? We would go to live in the Arctic circle if the conditions were right and we could make the place habitable. The Minister has not told us what the conditions are. He has not related the conditions on which he has been insisting abroad to deal with problems which will clearly arise here in the event of the entry of this country to the EMS while Britain remains outside.

In October I tried to warn the Government against giving in to what I then described as a “weak-witted Wolfe Toneism” according to which there was some inherent benefit in breaking the link with this or throwing off the fetters of that when the possibility is, whatever the historical reasons which make us to some extent dependent on the market next door, that by striking that kind of bold attitude thousands could be put out of work. I completely reject that kind of emotion as being a worthy component in a debate of this kind. I would not give a thraneen for the emotional difficulty talked about by some inside the House and commentators outside the House of finding ourselves isolated in a situation where we may be accused of trailing along on Britain's coat tails if the Italians join the system. Of course I feel it in the sense that I have a lot of “little boy” feelings of one kind or another about railway trains or bright uniforms and brass bands, but it is not worth a thraneen to the people who will be thrown out of work if we make the wrong decision on the head of an emotional response of that kind. The Minister knows that. The trouble with the Minister is that through a concatenation of personal circumstances, perhaps even accidents which he may now regret, he has joined a party in which it is poison to speak the truth about matters like that or to qualify the Green Flag



in the slightest particular at any time or for any reason.

I am in favour of the EMS if it will reduce the fluctuation of exchange rates and bring our inflation down to the level of the strongest economies in Europe. Nobody on these benches has said a word against that. Of course we are in favour of it. I looked at the situation as presented by the Taoiseach, the Tánaiste and the Minister opposite in October last and I asked what the major snag would be if we were to enter the system while the British remained outside. I want to emphasise once again that I do not give a threeneen about the British one way or the other. Let them paddle their own canoe. I feel no sense of responsibility, allegiance or alliance with them, though no doubt it will suit the lower echelons of the Minister's party to allege otherwise. They can paddle their own canoe; they have their own resources and their own advice and apart from the general solidarity which one is expected to show to another Member State of the EEC I have absolutely no further feeling about them whatsoever.

The plain fact is that we import relatively far more from Britain than from any other trading partner. The most recent figures I could find show that in the months January to August of this year the proportion of goods imported from Britain has actually risen compared with last year. The figure is about 49 per cent in the first eight months of this year as against 47 per cent in the same period last year. I agree that the difference is marginal but the point remains valid. We import a very heavy percentage of goods from Britain and those goods are in competition on the home market with Irish goods, while our exports are in competition with the same goods on the British market. Any Government who do not spell out these things in terms which a simple soul can understand are not doing their job properly.

My party have not infiltrated the Confederation of Irish Industry. I have no idea of the politics of most of their members, though some of them make no secret of their politics. I have no inside information about the allegiance of the confederation. They are all businessmen and I do not believe one of them would support a political party which he regarded as hostile to his own business interests. Early this year the CII computed that the existence of the British temporary employment subsidy had cost in the textile and footwear industries alone about 3,500 jobs. I did not put those words into their mouths. They calculated that because the British competitive position had been permitted to be distorted by the provision of a temporary employment subsidy, 3,500 Irish men and women were out of jobs which they otherwise would have held. That subsidy was a serious matter and I pursued it on many occasions in the House. On one such occasion I managed to discover that the first time an official protest was made to Brussels about that subsidy was, by a funny coincidence, the day I put down a question in the House asking the Minister when such a protest had first been made. That was 1 February.

Leaving aside the question of where blame lies for the neglect of the Government in regard to the British temporary employment subsidy, I should like to know why the White Paper does not set out some kind of assessment of a difference in value of 1 per cent, 2 per cent, 5 per cent or even up to the supposed limit of 6 per cent between our currency and the currency next door if, because of being shackled to continental currencies, our currency drifts or is pulled upwards *vis-à-vis* the British currency. I realise that not many Deputies have mentioned the White Paper for reasons I have tried to explain. Has the Minister made any calculation as to the effects of a difference of that order in the prices of Irish goods in ranges in which Irish goods compete with British goods?

I want to mention a matter which I hope will not be thought contemptible because a lot of time is devoted to it in other contexts. Has the Minister computed the effect on tourism if the Irish £ were to drift up substantially as against the British £? That is not an argument against joining the EMS by ourselves but it is a consideration I would have expected to be spelled out by a Government who were doing their job and purporting to put out a White Paper instead of this schoolboy's blotter. We depend on tourism to an enormous extent to close our trade gap as the Minister knows and if he does not know it he should not be in his job. What effect will it have on hotel prices if the Irish £ is worth more than the English £ to the extent that Irish holidays will be that much less competitive? Why has that not been mentioned? Why have the tens of millions of pounds that we get out of tourism each year not been taken into this computation and if they have been taken into account why have we not been told about them?

That brings me to the question about the progress of these negotiations and the kind of result obtained by the Government. What were we told in the communiqué that emerged after the summit on 5 December? It is set out in 3.4 of the White Paper:

The funds thus provided are to be concentrated on the financing of selected infrastructure projects and programmes, with the understanding that any direct or indirect distortion of the competitive position of specific industries within member States will have to be avoided.

Why is there that understanding? It was put into the communiqué as if it was something as unalterable as the laws of the Medes and the Persians or as the sun rises in the morning and sinks in the evening. In his speech this morning when the Taoiseach was taking to task one of the leaders of the Opposition parties — I have forgotten which one — he adverted to this matter. He said, “surely you did not expect me to look for protection or shelter for industry when the whole point of the EEC is to do away with that?”

The only achievement the White Paper considered worth mentioning was that it was on the Taoiseach’s suggestion that the communiqué of 6-7 July contained a reference to the “need for concurrent studies of the measures to be taken to strengthen the economies of the less prosperous Member States and the fact that such measures were essential for the success of the system.” That was included on the Taoiseach’s proposal and I am grateful to him for making sure it was done. However, when it gets down to the things that obviously will be matters of difficulty here what do we get? In July the Taoiseach said that he struck this blow for Ireland, that he ensured the communiqué included a paragraph about strengthening the weaker economies but in December we get a paragraph that not only does not envisage some help for the sector where help will be needed but which specifically rules it out.

I cannot see what is so non-negotiable about assistance for an industry that suddenly finds itself threatened by a development of this kind. I do not think I am quite in the dark about what the EEC is about. When we joined the EEC on 1 January 1973 we were not thrown in at the deep end immediately. Transitional measures were applied to ease the shock, and this was quite right. I should like the Minister in his reply to tell us if there is not some analogy between the shock of joining the EEC in the first place and of finding ourselves part of the proposed monetary system now. Surely there is something comparable in the shock to be experienced by the threatened sectors and tourism, which has not been mentioned, with the shock a large part of industry experienced on 1 January 1973? Why is it so unthinkable that there should be some special measures to protect the threatened sectors of Irish industry during some transitional period whose duration geniuses in the Minister’s Department could work out? I could not say whether six months, one year or two years would be necessary but I take it the Minister has an opinion on how long, in the event of a relative devaluation of the British £, Irish industry would have to adjust itself in order to compete on level terms? Why is that so automatically excluded?

[...]

**Professor O’Donoghue:** We say to the people: “Yes, we share your ambition. We think it is possible to produce genuine improvements in living standards, but not at an impossible overnight rate”. What we are asking for, whether in an EMS context or in the context of our own circumstances outside the EMS, is a realistic recognition of the pace of improvement which can be sustained, and we are asking also that those who are already fortunate enough to have secure employment will exercise an extra degree of restraint so that we may press ahead with the fastest possible rate of improvement in employment.

May I remind Deputy O’Leary, too, that our policies this year have produced the largest single increase in employment in any year since the foundation of the State? That is a fantastic performance, but we should like to see an even better performance next year, and there can be a better performance next year given the right degree of understanding and support. That is the nature of the opportunity that is opening up before the Irish people. It is the nature of the opportunity that may be strengthened and facilitated further within the context of the EMS. It is an opportunity that would give Ireland a chance not only to improve her own

circumstances within her own context but to make her contribution, a not unworthy contribution, to the building of that better Europe which is at the heart of the proposals for an EMS. While we may spend our time here debating the precise details of loans, transfers or anything else, it is important to remind ourselves of what this discussion is all about. Ultimately it is all about the possibility of creating a major new element in the construction of a European union, the possibility of a further major step forward along the path to European union. Surely that is an ambition that ought to be shared by many people here on both sides of the House. It is for that reason that we would expect widespread support both inside the House and outside for attempts to bring about, not only the construction of that EMS, but the most effective opportunity for Ireland to participate in such a system.

**Deputies:** Hear, hear.

Question put: "That the words proposed to be deleted stand."

The Dáil divided: Tá, 70; Níl, 43.

[...]

Question declared carried.

Motion put and agreed to.