

The Economic Club of New York

Charles J. Haughey
Prime Minister of Ireland

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Questioners: Daniel Patrick Moynihan
United States Senator, New York State

Eugene J. Sullivan
Chairman and Chief Executive Officer
Borden, Inc.

Introduction

Chairman Peter G. Peterson

Mr. Prime Minister, you may have noticed that one of our traditions is that we normally have two speakers, and you might have wondered why we have only one speaker this evening. The most important and obvious reason, of course, is that in those cases where we have a Head of State, one as distinguished as you, we do make an exception and have one speaker. But there is a more pragmatic, practical reason, which is the limited intellectual staying power of this year's chairman. (Laughter) Given the ambiguity of the Irish political result, I had to prepare two introductions (Laughter) and Mr. Ed Locke thought it tested the outer limits of my capacity. So in a sense we got one for the price of two this evening, and indeed it's a great bargain.

Mr. Prime Minister, we have another tradition in the Club and that is that we have questioners, as you know. If history is prologue, while I know nothing of what these two gentlemen will ask, I am quite confident that they will treat you in a more civilized way than your political opposition has been treating you, which may not be too reassuring, and at times perhaps even more civilized than your own party has treated you.

One of the questioners is Senator Pat Moynihan. Pat, I think it is fair to say that you have not made a secret of your ethnic origins. (Laughter) Mr. Prime Minister, this man has followers that are so devoted that they commonly refer to him as Saint Patrick. I thought referring to

Wednesday as his birthday was carrying it too far, but Senator Pat Moynihan, would you stand please, is one of the questioners this evening. (Applause) And on my left, not politically I'm sure, Mr. Gene Sullivan, Chairman and Chief Executive Officer of Borden. Gene, would you please stand so we can acknowledge you. (Applause)

Mr. Prime Minister, we have a third tradition in the Club which is that we have a Research and Policy Committee that makes very serious policy proposals to our speakers – none of which may I add have ever been accepted. You were not here when we made a proposal to Secretary Weinberger in which our Research and Policy Committee recommended to him that we had what we thought was an ingenious solution to the problem he was having with the MX missile and the AWACS plane for the Saudi Arabians.

We suggested to Secretary Weinberger that he put an MX missile on top of the AWACS.

(Laughter) And our Research and Policy Committee argued that this would please the Saudis, the Israelis, and Secretary Weinberger all at once. He was terribly excited about the proposal, though he seemed less excited after he heard it. Our argument was that it would please the Saudis because they would have the double prestige of both the AWACS and an MX missile. The Israelis would like it because it posed no security threat to their country since it could not fly.

(Laughter) And it would please Secretary Weinberger because he would finally have gotten an airborne MX which is what he wanted. Now we don't know why he has not implemented this proposal. He has not responded to our threats that we go public with it, and we don't know why.

Now we have a similar proposal to make to you this evening, and I'm sure you'll treat it with the same seriousness that Secretary Weinberger took our earlier suggestion. Some larger corporations, as you know, have been having some success in our country in exchanging tax advantages. And since the spirit of reciprocity is in the air in trade legislation, our Research and Policy Committee has a proposal to make to you. We propose, Mr. Prime Minister, that you lease to us your techniques of dealing successfully with your parliament and we will let you have our government deficits, or to be fair about it, our surpluses as well, for a period of two years.

(Laughter) That was the fallback position, but since you didn't respond I limited the period that you would assume.

The Prime Minister has graduated from University College. He became a barrister-at-Law from King's Inn at Dublin. I explained to the foreign minister, it sounds like a fun place to go to law school if you have to go there. He became an accountant by profession. (Applause) Mr. Prime Minister, if I went hurriedly by both of those, it's that you may have gathered by the sole individual that applauded, that these are not the two most popular professions in the United States. (Applause) May I say parenthetically that you're most fortunate you're not also an investment banker (Laughter) because even you could not have assumed that burden, I can assure you.

Now more seriously, the Prime Minister has been a member of the Irish Parliament for 25 consecutive years, a member of the Fianna Fáil Party. I asked him if he could crystallize at

dinner the conceptual essence of that particular party. And he said, and I believe I quote you properly, “We are neither prisoners of the left, nor servants of the right. We are the pragmatists of the center.” You understand now why he’s been so successful in his political career.

During that period of time, he has been Minister for Health and Social Welfare, Minister for Agriculture, Minister of Justice, Minister for Finance. You sound a bit, sir, like the American counterpart of a political renaissance man, a bit like George Shultz, Jim Schlessinger, and Elliot Richardson somehow all put together. Even more important, he has led his party since 1979. His party, you may remember, I believe was founded by a New Yorker, Mr. de Valera. He has been Prime Minister of Ireland twice – in 1979 for two years, and of course now. It is my great privilege to introduce to you, the Prime Minister of Ireland. (Applause)

Charles J. Haughey

Prime Minister of Ireland

Mr. Chairman, Secretary Peterson, my about-to-be questioners, Senator Moynihan and Mr. Eugene J. Sullivan, and to the greatest and solitary member of the accounting profession over on the left, ignoring all investment bankers, I have the greatest possible pleasure in addressing this distinguished gathering. And I am particularly glad that I have the opportunity of doing so this evening because I understand that I am the first Irish Prime Minister to have this privilege.

I speak to you, Mr. Chairman, at a time when all concerned with the economic life and well-being of our respective societies face severe and persistent difficulties which demand a common resolve and concerted action for their solution. The severity of the current international economic recession has been exceptional. It has now endured, and in many ways deepened over two years. And this severity and depth can be illustrated by a few significant indicators. The rate of economic growth in the OECD area fell in 1980 and 1981 to about one-third of what it was in 1979. And in the European Community, on an average, to a fraction of what it was in 1979. The rate of growth in world trade in 1981 fell to about one-seventh of what it was in 1979. Unemployment in the first half of this year will have risen to about 28 million in the OECD area and to about 11 million in the European Community, a rise of respectively over 10 million and 5 million since the first half of '79.

These somber developments are a challenge to our confidence in our ability to manage our economy successfully and to coordinate our efforts internationally for the benefit of our people. They have profound economic and social implications for our democratic societies. The only ultimate way out of the recession is by increased investment based on renewed international demand and on the need to improve the structural capacity, competitiveness, and productivity of our interdependent economies.

This increased investment will be assisted by the moderating trend in inflation now apparent to which lower oil prices significantly contribute. An important contribution to renewed investment

and consumer confidence would be lower and stable interest rates throughout the OECD area brought about by the falling rate of inflation and hopefully by the right fiscal and monetary policies.

There is now general agreement that the second half of 1982 should see an upturn in the larger economies whose performance so widely determines general world economic progress. If world trade, excluding crude oil, grows as expected in 1982 by 6% that will provide a long-awaited stimulus to industrial output so essential to reducing the present unacceptable level of unemployment. And all those responsible for economic decisions in our democratic societies must view with deep concern the growing spectre of youth unemployment and the disillusion and discontent it generates and the threat it holds out for our future, the future of our societies. We must manage our economic and social affairs with the clear objective of creating conditions in which youth has not only promise but fulfillment, not only hope but achievement.

The capacity and efficiency of our Irish economy has been developing strongly in recent years in spite of the fact that the prolonged world recession has created for us, as for other countries, severe problems and difficulties. As in some respects one of the most open economies in the whole OECD area, we have suffered special hardship from the collapse in world economic demand and increase in import costs.

I wish to emphasize clearly and strongly, however, that as the new Prime Minister of Ireland,

taking up office again, I take a longer term, positive investment view of our situation. And I see myself as managing an economy which has greater potential for development than any other country in the European Community. Ireland is passing through a stage of rapid economic and social transformation which your great country has also experienced in its time. Our stable political institutions provide, as in the United States, the firm bedrock on which new, more productive, and more satisfying economic and social structures are being built.

Such stability is the most significant guarantee of security of investment. We provided to investors in our industry, our agriculture, and our commerce with the same assurance of continuity as stable democratic institutions have provided when your forward-thrusting, young republic was reaching towards the role it now occupies as the greatest economic power on this earth.

We, Irish, take pride in that great American achievement and in the development of that powerful economy, because of the vital and significant contribution which our people made to it. A commentator in the last century said and I quote, “America demands for her development an inexhaustible fund of physical energy and Ireland supplies the most important part of it. There are several sorts of power working at the fabric of this republic – water power, steam power, and Irish power, and the last works hardest of all.” (Applause)

But that same Irish power is today at work in Ireland, but it is now a power armed and equipped

with education and technological skills. And successive Irish governments have invested heavily in education to ensure that school leavers and graduates are increasingly trained to the requirements of a modern economy, an equitable society, and a lively culture. In the last 20 years, the proportion of those of second and third level education age pursuing full-time education has doubled. One-half of the graduates from our secondary, or high schools, now go on to third level education – many of them to the new network of regional, technological institutions which provide the skill and technology for modern science-based industry. We also have throughout the country a structured, comprehensive system of industrial operative training often directly matched to the needs of individual enterprises.

Our investment in education is being paralleled by our investment in improving and expanding the economic infrastructure, essential for efficient economic activity. Telecommunications rose, urban services and facilities, our airports and our ports have been and are being rapidly improved through large and continuing investment programs.

In the period 1977 to 1980, our total investment ratio has been over 20% of GDP as compared for instance with 18% here in the United States over the same period. In 1981, last year, it rose even further still to 30% of GDP. This high rate of investment, one of the highest in the world, reflects our commitment to a developing, expanding economy and our determination to provide the essential and efficient structural conditions for domestic and external investors. Our firm commitment to private enterprise as the principal generator of economic growth is an important

part of the background to our investment programs. We have, of course, also a significant public enterprise sector which will continue to supplement and complement the private sector in achieving our economic objectives.

The other permanent feature of our economic approach in Ireland is the range of incentives we make available to promote industrial and commercial growth. Those incentives have been endorsed by successive governments and any changes have been ones designed solely to improve and adapt to new circumstances and opportunities. The introduction in 1980 of a 10% corporation profits tax for the manufacturing industry effective to the year 2000 had the complete support of all political parties in our parliament. The success that our industrial incentives have achieved in attracting investment from all over the world, and particularly from the United States, makes us determined to maintain them as a fixed element of our economic strategy.

The combination of Ireland's location in the European Community's market with 270 million consumers, our stable business and political climate, the education and skills of Irish workers, the low rate of corporation tax, as well as the many capital grants and services offered by our Industrial Development Authority have proved a powerful attraction to US firms. Almost one new US plant per week has opened in Ireland over the last two years. One in every two US firms investing in new facilities in Europe is selecting Ireland. And indeed investment by US companies is still growing dramatically. Over the last four years, the average annual increase has been 41%, three times as great as the average increase in the European Community as a whole.

And we have not sat around passively waiting for American suitors to come and see what we have to offer. We have gone out and sought specific industries. The range and quality of US firms manufacturing in Ireland today are the result of a strategy worked out by our Industrial Development Authority in the early 1970s to attract high technology industries in growth sectors – specifically electronics, healthcare, pharmaceutical, engineering, and more recently international service industries.

As a result, we find today in Ireland industries which are in the forefront of technological development. Ten years ago there was, in fact, no electronic industry as such in Ireland. Today, more than 130 of the leading and most dynamic electronic companies in the world are manufacturing there – Amdahl making large scale computers, Apple making personal computers, Mostek making integrated circuits, Analog Devices designing and manufacturing complementary metal oxide semiconductors, DEC making mini-computer systems, and Wang making word processing systems, and so on and so on.

Between 1975 and 1985, the numbers employed in the electronics industry in Ireland will have increased six-fold. And this dramatic growth is reflected not only in the scale but also the composition of our Irish industrial exports. Ireland is now the second largest supplier of complete computer hardware systems to Britain, ahead of other major industrial countries such as the Federal Republic of Germany and France. Forty of the 70 overseas companies operating in the healthcare and the pharmaceutical industrial sector come from the United States of America.

They have been a major influence in raising exports in this sector from 17 million pounds in 1970 to 500 million pounds in 1980 and in making Ireland the 12th largest exporter of pharmaceutical products in the world.

Recently, our economic development efforts have included a new dimension – our concentration on attracting service industries such as technical design offices, laboratories, data processing, and the administrative headquarters of banking and insurance companies. Our range of facilities and incentives now include special attractions for such international service organizations as well as these strictly industrial companies. And we offer not alone capital and training grants, and tax reliefs, but also a new type of substantial employment grant especially tailored for those service organizations which are based on personnel rather than on machines.

In addition to financial incentives, Ireland offers two special strategic advantages for the location of this type of industry. We have a young, highly educated, and technologically-trained workforce which provides a sure and solid basis for creating a modern, fast-developing, international service type industry. And we also offer a special location advantage for this type of industry to our membership of the European Community and through the access to the developing economies of Africa and the Middle East, given our geographical proximity and our historical affinities with the evolution of many of those countries.

Profitability has been a key factor in the growth of US investment in our economy. Year after

year, independent US Department of Commerce figures have shown that Ireland provides the environment and the productivity which gives the industrialist as high a return as is available anywhere else in the world on industrial investment.

And it's not just that US firms coming to Ireland are coming to Ireland in greater numbers. Those already in production are expanding and diversifying their ventures and reinvesting their profits within the country. Westinghouse Corporation, for example, which started its first plant in Ireland in 1976, has since established seven others. Many more are introducing research and development, product engineering, and marketing functions, or establishing headquarter operations in Ireland. These developments will ensure the continued growth and security of those enterprises in Ireland especially in the current period of rapid change in technology and market conditions.

Our success, aided by the confidence of investors in our institutions and our economy in raising the productivity and earning capacity of our people, can be summarized in some significant figures. Since 1960, our gross national product has had an average annual growth rate of over 4%. Our manufacturing exports in 1980 were three times in real terms what they were in 1970. In 1981, our manufacturing exports grew further, by almost 11% in real terms despite the fact that growth in world trade in manufactured goods fell to only about 2% in 1981.

Our labor force is now employed to the extent of 31% in industry, 50% in services, and 19% in

agriculture. The relative decline in the employment importance of the agriculture industry in recent years has been accompanied by its transformation into a modern, more capitalized, and more productive industry providing the basis for the expansion of agriculture-related and food processing industries.

Economic management of the development forces now at work in our economy requires firmness and resolve, particularly when we are experiencing the effects of the world recession. Like most economies, including the United States, we have been forced by the recession to incur current budget deficits. This coupled with our need for investment to improve our economic capacity and efficiency has raised considerably our borrowing requirements including borrowing abroad. This foreign debt must be viewed in the perspective of our ability to meet our obligations, which in Ireland's case is not in question. Our total foreign interest payments are equivalent to one month's export earnings – an extremely favorable position for a rapidly developing economy. And our export earnings are considerable – equivalent in 1980, for instance, to \$8,587 per head of the population employed as compared with \$3,521 for the United States and \$6,000 in the United Kingdom.

We are resolved to bring under control our current budget and external deficits. And we will produce shortly in consultation with the leaders of the employment organizations and the trade unions, and with our economic and social research institutions, a comprehensive plan to deal with unemployment, prices, the balance of payments, and borrowing. In recent years, national

wage agreements have been negotiated at levels lower than the rate of inflation in the interest of competitiveness. A trade union leadership with a constructive, responsible approach to economic realities and the technical skills of our workforce provide a powerful incentive to investors in the new high-productivity industries in Ireland.

One of the primary objectives of our economic management is to bring down the rate of inflation especially at a time when the world trend in inflation is moderating. This objective is of particular importance to us because by reducing inflation, we increase the effectiveness of the resources at our disposal for national development. Moreover, our economy is one of the most open in the world with exports and imports exceeding in value the total output of our economy.

And these factors make the external value of the Irish currency of crucial central importance in our national development strategy. For this reason, it has been, since we joined the European monetary system, the firm policy of the Irish government to maintain the value of the currency within that system. That policy remains unchanged and the value of our currency in the European monetary system will not be changed.

Our energy production potential is one I would like to mention particularly on this occasion. I'm glad to say that most of the major United States oil companies as well as others have been engaged in the exploration and development of our hydrocarbon potential. A US corporation has found and developed a major offshore gas field with reserves of about 1.3 trillion cubic feet. This

gas is now providing a large proportion of our electricity and is being piped to major population and industrial centers. A number of significant oil flows have already been recorded and we are cautiously optimistic that continued exploration will lead to considerable commercial discoveries.

It is also apparent from the applications we have recently received for exploration licenses that companies have identified a number of highly effective prospects in new areas of exploration particularly in the shallow Celtic Sea area. Exploration of this area could result in oil coming ashore at an early date. As our requirements are a relatively modest 120,000 barrels a day, a field of anything over that size would make us a net exporter of oil and would change profoundly our external trading balance.

Apart from hydrocarbons, the seas and the seabed around our coasts offer a new range of opportunities for exploration and development both of marine life and mineral resources. The prospect also arises for us shortly now of having exclusive jurisdiction over the continental shelf adjoining our coast. Unlocking the potential and resources of this vast expanse of sea and seabed is an exciting challenge to the scientific and technological enterprise and capability which the great corporations of the United States possess in such abundance.

We will explore the possibility of working together in harnessing these new resources for our mutual advantage in the same way that we have already developed our industrial sector so

successfully. I want to stress the importance of maintaining the open, multilateral trading system which has been the basis for 25 years of unprecedented improvement in living standards in the Western world. For us in Ireland, where our trade exceeds the value of our national output, the benefits accruing since we dismantled our trade barriers and encouraged investment from overseas, have been dramatically evident. But even for the much more continental economy of the United States, the benefits of a liberalized system of international trade are unquestionable.

Economic recession, increased levels of unemployment and balance of payments pressures inevitably lead to demands for protectionist measures in Europe as in America. It is in the interest of mankind everywhere and particularly in the Third World that these pressures be defeated. Protectionism reduces efficiency, creates demand for retaliation and leads inexorably to a cumulative and damaging contraction in world trade and output. In the agreements on which the expansion of trade has been founded, there are adequate provisions within which the legitimate interests or specific problems of the major trading groups can be accommodated and mitigated without damage to the fundamental principle of a free trade system.

There is an old Irish proverb which says, "Do not protect yourself by a fence, but rather by your friends." I suggest that this is a good principle of policy in the circumstances of our world today. Whatever economic strains may have arisen between Europe and America, whether in trade matters, in relation to interest rates, or whatever, I believe they can be worked out as among friends in the various multilateral organizations which have served us so well for so long. And if

not there, then by direct consultation. We draw encouragement from the results of the recent intensive contacts between European Community leaders and top US administration officials. At the end of this month, I will attend a meeting of European heads of government in Brussels and I have no doubt that in reviewing international economic trends, and in considering the future development of the community, there will be unanimous agreement on the importance of our economic relations with the United States based on respect for the legitimate interests of both sides within a framework of openness and reciprocity in trading relations.

I would also like to say that the American society, in its successful capacity to absorb and mingle in dignity and harmony so many different traditions and cultures provides us with the principles through which we would wish to see a solution to the problems of our country emerging. I would like to avail of this special occasion, when addressing this key audience under such prestigious auspices, to say warmly and earnestly to the representatives of American business present that they should think Irish during the course of this particular week and decide to look into the many and varied opportunities Ireland has to offer for worthwhile development projects. And if possible, to come and inspect the possibilities personally.

The representatives of our Irish Industrial Development Authority who have an active and friendly presence in most important centers of trade and commerce in the United States will provide full information about every possible investment opportunity and will gladly arrange any visits and apartments which may be requested. I have outlined to you the productive and

scientific lines along which we are developing our economy to realize the potential and the prospects implicit in our natural and human resources. I would like to thank those of you here tonight and others in the great business and financial community of the United States who have participated in this rewarding enterprise of developing the full potential of our country. We offer to those who would like to join with us the same assurances, facilities, and incentives which have proved so rewarding for those who have already joined us in our development efforts as investment partners.

Finally, Mr. Chairman, I thank the Economic Club for the warmth of their welcome and the generosity of their hospitality at the outset of a visit which I am making to this great and glorious land of free men and women in response to the kind invitation of your distinguished president whose interest in Ireland and our people is so much appreciated by us all. Thank you. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN PETER G. PETERSON: Thank you Mr. Prime Minister. Senator Moynihan, Pat, would you honor us please with the first question.

SENATOR PAT MOYNIHAN: Thank you. Mr. Chairman and Mr. Prime Minister, Taoiseach as you would say in the Dáil. There was once a pastor in Cary where our people come from who once abjured his flock to follow the straight and narrow path between right and wrong.

(Laughter) And I would like to ask you, sir, you spoke of the severe and persistent difficulties that attend your own country and others in what you describe as a world recession, and surely they are severe in your own country. You have an inflation rate of some 23%, a deficit last year which was more than 16% of GNP, the prime rate running about 20%. Now the last government fell because it proposed to raise revenues by raising taxes, and you have just told us that you will not devalue the Irish Pound. So I would ask you, sir, will you tomorrow, as have some other heads of government from Europe who have visited recently, will you ask or suggest to President Reagan that the interest rate policies of the Federal Reserve Bank of the United States are causing, or at least in some significant way are preventing any recovery from the world recession of which you speak?

PRIME MINISTER CHARLES HAUGHEY: Is my friend from the accountancy profession still over there? (Laughter and Applause) Senator, we have of course many economic and fiscal problems. And we have a current budget deficit, we have balance of payments deficit and we have a rate of inflation which is much too high for our liking. But we propose by prudent policies to get these economic and fiscal difficulties under control and, in particular, to eliminate the current budget deficit over a period of years as economic and financial circumstances permit. We believe that the trend in world trade in the year ahead, immediately ahead, will help us very considerably with our balance of payments. Our balance of payments, and indeed our rate of inflation problems spring very largely from the unprecedented price increases in oil because we import about 90% of our energy requirements in the form of oil. So that those dramatic and

staggering increases in the price of oil hit us as an open trading economy very hard indeed. We would hope to look forward to better conditions in the years immediately ahead on that score. Interest rates are certainly a source of very great difficulty for us, but I have no intention of doing anything with the distinguished Irishman who now occupies the Oval Room in the White House, of talking about anything more contentious than how to buy and ride good horses. (Laughter) But should the conversation perhaps stray to the controversial area of interest rates, I would avail certainly of the opportunity to talk to the president about the desirability, I think, in the interest of world trade and the flow of investment generally for lower interest rates. And I would hope that in conversation and discussion and consultation between Europe and America, it will be possible to achieve a lower interest rate situation in the years immediately ahead. But it's a matter of very real and serious difficulty in the world today and between Europe and America, but as I said in my speech, I believe that these problems can and should be discussed fully in the fora of the multilateral organizations which are already there to deal with them. And if that fails, by the sort of direct consultation which has recently been inaugurated between the officials of the US administration and those of the European Community.

CHAIRMAN PETER G. PETERSON: Now Gene Sullivan, if you will ask the next question and then rotate thereafter.

EUGENE J. SULLIVAN: Senator Moynihan has the physical attributes to appear to be standing when he's seated. I have the opposite problem and I want to assure you I'm standing. (Laughter)

Some years ago the late, famous Lord Mayor of Dublin, Mayor Briscoe, greeted an American dignitary visiting Ireland with the words; I welcome you to Ireland on behalf of 24 million Irish, 20 million of whom are in the United States. (Laughter) Tonight I'd like to welcome you on behalf of those 20 million and congratulate you. (Applause) This year the world is celebrating the 100th anniversary of the birth of James Joyce. In his *Ulysses*, one of his characters remarks that history is a nightmare from which I am trying to awake. The problems in the North of Ireland seem to be a nightmare in history. Do you see any hope of an awakening?

PRIME MINISTER CHARLES HAUGHEY: The problem of Northern Ireland, the anguish that is Northern Ireland presents us in Ireland and my government in particular with our primary political problem. And we award to the solution of the problem of Northern Ireland top political priority. We would hope that the process which we embarked upon of seeking to have this problem raised to the level, to an inter-governmental level between Dublin and London, offers the best prospects for progress. We, the British Prime Minister and myself in December 1980, commenced a process of discussion and developing the totality of relationships between our two countries on the basis of which we were told to make progress towards peace and reconciliation in Northern Ireland. It would be unwisely optimistic of me to assure this gathering that, this distinguished gathering here this evening that there would at any point of time, that at any point of time progress would be made. But all I can do is assure our distinguished questioner that this problem does achieve our primary political, is seen by us as our primary political objective and will continue to receive our unremitting attention until such time as a solution can be procured.

(Applause)

SENATOR PAT MOYNIHAN: Mr. Prime Minister, I wonder if we could pursue that just a moment. In the very brief statement that you made following your most recent election on March 9th, you said that the first political priority of this government will continue to be the quest for a solution to the tragic problems of Northern Ireland. It is the gravest of all our problems. I wonder, sir, if we could ask, would it be your thought to offer any proposals to the Republic of Ireland itself such as your predecessor and good friend, Garret FitzGerald, had made regarding the revision of the Irish Constitution with regard to matters that are of manifest difficulty in Ulster and represent one of the clear obstacles to a reunification or a unification, if you like, of the Irish nation at this point. Would you specifically, sir, be prepared to speak to a simple matter. The Irish Constitution, law, forbids divorce. Would you be willing to speak to the possibility of accepting that arrangement which is not unknown in our own country and in others, nor if I reckon, yours? And to the general point of the secularization of the constitution?

PRIME MINISTER CHARLES HAUGHEY: I do not see the Irish Constitution as in any way any part of the problem which Northern Ireland represents. I see the principal problem in that situation as being the guarantee which the British government have offered to the unionist population in Northern Ireland, and I believe that there will be no progress until such time as that guarantee is removed or modified in some form by the British government. (Applause) In regard to the Irish Constitution, I have always said that for us to unilaterally change our constitution

now would be an idle and fruitless exercise because we would be making changes in the constitution supposedly to please somebody whose wishes at this stage we cannot ascertain.

(Applause) And the sensible and logical way to proceed is, I believe, for the British to remove this guarantee, this implacable guarantee which represents such an impediment to progress and then for all parties to sit around a table and endeavor to evolve new political and constitutional structures which will suit all the traditions in Ireland. And at that time I believe not alone will we be willing to make changes in our constitution, but it's almost certain that an entirely new constitution will have to be written for the island as a whole. I hope that answers your question, Senator. (Applause)

EUGENE J. SULLIVAN: Mr. Prime Minister, over the years from Sheridan and Goldsmith down through Wilde, Joyce, Shaw, Yates, and O'Casey, Ireland has made a disproportionate contribution to the World of Arts and Letters. Some years ago when you were Minister of Finance, you put into effect a unique income tax benefit for artists and writers – not accountants. (Laughter) What was the purpose of those benefits? Have they worked? Were you looking for a flood of new Joyces? Or perhaps did you get economic and social advantages?

PRIME MINISTER CHARLES HAUGHEY: First of all, I think that the list of names that you read out in a way answers your question, because it has been the unfortunate history of creative people in Ireland that they have tended to leave Ireland and find the full expression of their genius in other lands. It was partly to reverse that process that I introduced this particular

provision which favored the creative person living in Ireland – offered him some relatively insignificant taxation advantages. But it was largely to show, or to demonstrate, or to underline for the creative person, for the artist, that Ireland valued the contribution that they had to make, that Ireland welcomed our creative and artistic people into our midst and that we wanted them to stay in Ireland and find full fulfillment of their genius at home in their own country. That was basically the thinking behind that particular proposal. We also wished that perhaps this particular proposal would succeed in attracting some of the great creative people of the modern world to come and live in Ireland and thereby contribute to an even, even greater still to our artistic and cultural development. We've had some success in that regard. And indeed from this great United States, we have some of your most distinguished writers and authors and artistic people now living in Ireland, finding it a very happy and successful and creative, artistic ambience in which to work. And if there are any artistic people here tonight, apart from accountants and lawyers and investment bankers, I cordially invite them to come and find full fulfillment in Ireland.

(Applause)

CHAIRMAN PETER G. PETERSON: Mr. Prime Minister, I can't help but interrupt for just a moment to tell you that a so-called ____, when I asked him what you had achieved in the field of culture, said to me that you had succeeded as follows: you had a tax-free scheme that took the Irish artists out of the garotte. And just last week you succeeded in taking the Garret out of the government (Applause) Garret FitzGerald, for those of you who don't follow Irish politics.

Thank you. Pat Moynihan.

SENATOR PAT MOYNIHAN: Well, Mr. Chairman, I will read here a question which was provided me by a young fellow on my staff who is Irish and who spent a year at Trinity College, Dublin. I don't ask you, Prime Minister, to answer this, but he says, five years ago a pint of stout cost 45 pence. Today it costs 1 Pound. How has this improved the quality of Irish life?

PRIME MINISTER CHARLES HAUGHEY: The only thing I can say to that, it's still a damn good value at a Pound. (Laughter and Applause)

SENATOR PAT MOYNIHAN: We won't disagree. Another anomaly, Prime Minister, it is one of those things that passed almost unnoticed in this city, and perhaps oughtn't to have done, and it may be dangerous to draw attention to it, but in the mid-1960s for nine months, the banks of Ireland were closed and the economy of Ireland flourished. That, Mr. Clean, here will attest. Because in point of fact people photostated their last check and kept making copies of it and then moved around, with M3 or something of the kind. You've encountered monetarism in the offshore islands of the European continent. And it is an experiment still not wholly undertaken in our country, but we watch with fascination, one of our few exports intellectually to that part of the world. I wonder if you could speak to the judgment of the European Economic Community as to the basic consequences of monetarist doctrine as it has been generally understood, propounded here, and adopted there, most particularly perhaps in Great Britain. I'm not asking you to speak to a fellow member of the community in any censorious way or otherwise, but what

would be your judgment of that experiment?

PRIME MINISTER CHARLES HAUGHEY: First of all, I'll deal with the problem of the bank strike. The answer to that is very simple. We have in Ireland a very valuable and important institution which is known as The Pub. (Laughter) And our Irish-Publicans, that is the owners of the pubs, solved the bank strike, you just went along there, with your shake and because of our way of life you could always be certain that the Pub would never be short of money and you cashed your check. And we carried on bravely for the length of the bank strike. (Applause) I don't know whether that would work in New York or not. But on the question of monetarism, I can speak from some experience in that the, as I mentioned in my speech, the figures for unemployment in the Community are now quite horrendous. There's an almost unbelievable and unprecedented and unacceptable level of unemployment – 15 million in the European Community. And I believe that this has very serious and far-reaching social implications. In our case, particularly many of these unemployed, perhaps as many as half of them, are young people. And I believe that now in the European Community the extent and the urgency of this problem is beginning to be felt. And that countries, member states which perhaps a year or two years ago, were fully committed to monetarist policies and to placing the defeat of inflation as a primary economic and fiscal objective now accept that programs and policies must be initiated to grapple with the problem of unemployment. The Federal Republic of Germany has embarked on such a program. The French, new French government, is also dealing with the problem of unemployment, high among its economic objectives, and so on. I believe that there is a change-

around in thinking in the European Community and it's certainly a philosophy which I have always advocated and will continue to advocate in the councils of Europe that the primary economic problem of our Western world today is the problem of unemployment. (Applause)

EUGENE J. SULLIVAN: Mr. Prime Minister, Samuel Johnson said, "The Irish are a very fair people. They never speak well of one another." (Laughter) That seems to have been borne out in the recent election campaign. In view of the bitterness shown in that campaign and the small plurality which your party now holds, do you think you can carry out your programs?

PRIME MINISTER CHARLES HAUGHEY: Of course. (Laughter) No, there was no particular degree of anything approaching bitterness in the last general election campaign. It was a hard-fought general election campaign, an intensely fought general election campaign. But it was a general election more so than any for a long, long time which was fought very particularly and very exclusively on issues, on economic and social issues. It was very much a general election which was fought through the media and at the doorsteps and very basically what we call in our political town, "bread and butter issues" but very much economic and social matters.

Personalities were at a minimum and it certainly could not, in anybody's language, be described as a bitter general election campaign. I believe now that we've had some, we've had a change of government within a period of seven months, and my own assessment, and I think most commentators would agree with me on this, my assessment is now that there is no wish, either

among the general public or among the political personnel, for another general election for a very considerable number of years. I believe that my government will have no problem in maintaining its position for its full period of office and implementing its economic and social and political, and indeed now as you mentioned yourself, cultural policies. (Applause)

SENATOR PAT MOYNIHAN: Prime Minister, I want to spare you this “Face the Nation” ordeal that we seem to be presenting you and ask the question to which there can only be a warm and happy answer, but also to introduce a comparison. And that has to do with the question of population. The population of Ireland is growing at about 1.5% a year just now which is the highest rate of growth in any member of the EEC and one of the few nations in all of Europe to have any population growth at all. And it’s almost curious that just after a century in which the Irish population declined and the nations grew, this reverse is taking place. I wondered if you could speak, or I would hope you feel free to do so proudly, of whatever has come about in your own country that has revived its population. But also speak to the question of why you think Europe has come to such a stasis and whether the European Economic Community and the European idea, the European parliament of which you’re a member of course, the Irish part of it, whether that idea is not somehow declining now in a somber and twilight time?

PRIME MINISTER CHARLES HAUGHEY: First of all as to our own experience, as you know the principal determining element in the Irish population structure for well over a century was the matter of emigration. And of course, this great land of the United States of America

benefitted enormously from the continuing outflow of perhaps the most able and most active and the most energetic of Irish people. But around the beginning of the 1960s we embarked on programs of economic and social development, and particularly the programs which I have mentioned again in my speech, programs of industrial development, of positively promoting outside investment in the development of Irish industry. These programs have been dramatically successful, have reversed the trend of emigration, the historical trend, the tide of emigration, and we now are in a position where as you say, Senator, we have a rising population. And we have indeed a much more interesting demographic statistic than that – we have what must be one of the youngest populations in the world. I would say that at this stage somewhere up to half the population of Ireland is under the age of 25 which has enormously important implications for us in our economic and social planning. But it is a country now with a very young population, with a well-educated, highly trained, technologically-trained young population. And it is indeed this young population that we see, and you've asked me speak happily and I gladly do so, we see this young population of ours as the greatest national asset we possess. Far more important than our agriculture advantages or indeed even the possibility of hydrocarbon and mineral discoveries, we see this eager, well-educated, thrusting young population as the real guarantee of a very successful developing Ireland in the decades, two decades immediately ahead. (Applause)

EUGENE J. SULLIVAN: This will be my last question. I want to thank you on my behalf, Mr. Prime Minister, for your replies. In your speech to parliament last week, you said that a major priority of your government is the revival of the inner city of Dublin and to provide “an

imaginative approach to a problem which exists in many other countries.” There’s certainly a problem in many parts of the United States, especially here in New York. Can you give us a hint of your imaginative approach since I’m sure Mayor Koch would be very interested? (Laughter)

PRIME MINISTER CHARLES HAUGHEY: Yes, Mr. Sullivan, I could talk to you at some length, but I will do so briefly. But first of all, may I say that our preliminary studies and investigation of these particular problems of urban renewal or inner city development has shown us that some American cities have dealt very successfully with this problem. And indeed we would also take some things that have been done in some major US cities as an example to be followed. But we see it as a problem which has to be tackled on a number of different fronts. Perhaps basically the main avenue of attack will be through the educational system because we find that among the young people in these inner city areas, there is a lack of motivation which derives from socially-deprived backgrounds and that we must begin, I think, through securing education and motivation, and ensuring that these young people in these areas get, first of all, the basic educational tools to enable them to go on, to benefit from technological and technical education. Because at the moment there’s a vicious circle there where they don’t have the basic education of skills to enable them to benefit from technological or technical educational training. So we see first of all that a very special intensive effort has to be made in the educational sphere. Of course, housing is another major element in the dilemma because probably like other US cities, our capital city has for some decades now tended to move its population out into suburbs and leave relative wastelands in the inner city areas. So we propose to reestablish living

communities in the inner city areas by bringing back housing, private housing, or municipal housing, or a mixture of both into these areas. And then finally with the assistance of our friends, again the Irish Industrial Development Authority, we hope to promote in these inner city areas the sort of smaller types of industry which traditionally are associated with center cities – repair industries, small hotels, automobile repair services, service industries, small workshops, crafts, and that type of thing. And between an amalgam of educational policy, housing policy, and industrial and job-giving policies, we hope to bring about a revival of these areas in the four or five-year period ahead.

SENATOR PAT MOYNIHAN: Mr. Prime Minister, I was, been asked by the chairman to ask one last question also. And may I take you, sir, to a troubled area of concern in our country, more perhaps than in yours or generally speaking in European, and that is the question of the relation to what we have called the Western nations to the Soviet Union and the _____, the satellite nations that surround it to the West. Ireland is one of the neutral nations in Europe. It has been an active and loyal supporter of activities in the United Nations but has stayed out of NATO and very actively avoided that kind of alliance involvement with respect to the West or the East. We sense, some of us do in this country, a growth of neutralist feeling in Europe. We encounter, those of us, many of us in this room, I think, who travel to Europe find in capitals where this was not heretofore to be heard the distinction between the two superpowers, the one here, the other there, and Europe in between, a sense that it is not an advantageous position to be with either, or if anything perhaps to be with the closest. One hears the term, we've heard the term Finland-

ization for many years. One hears more recently in Europe the term Hong Kong-ization. Could you speak generally and with no, wishing not in any sense to engage you as a head of your own government and save as you wish, but as an experienced member of the European Community and distinguished European, what do you think is the course of the neutralist sentiment in Europe? And what would you advise the United States with respect to it to the degree that you judge it to be of consequence?

PRIME MINISTER CHARLES HAUGHEY: Our own position in Ireland is a fairly clear one. We believe that we should make our contribution to better international relations and to the preservation of world peace through the international organizations and particularly through service in the United Nations. And indeed through any other international organization which is in the position to make a contribution to solving the problems around the world and to preserving the peace and security of mankind. We see that it is through the United Nations, we as a small, relatively minor military country, can make any sort of worthwhile or significant contribution to world peace and security. We are, of course, committed to the general values which would be enshrined in the Western ethos, in parliamentary democracy, in the liberty of the individual, human freedom, and the supremacy of law and constitution. These things we share with the, what I usually refer to as the Western world. And we are not neutral in that score. We are fully committed to the...(Applause)...we are fully committed to the defense of these values in any place or anywhere where they may be threatened. On the broader issue of Europe and America or Europe as occupying a position between the two great superpowers, I believe that in Europe

generally there's an increasing wish to exercise a unified political voice. That increasingly the European Community is developing a political outlook wishing certainly in the case of trouble spots which are near its own doorstep like the Middle East and elsewhere, to exercise some, perhaps an increasing influence in obviating these difficulties and trying to contain them when they occur. I think increasingly Europe wants to have a political voice in the settlement of problems which threaten world peace and security. But I believe, and any head of government council which I've ever attended in Europe, there has always been this wish for full understanding between Europe and the United States. Perhaps there may, from time to time, have to be disagreements as to policies but at least there should always be complete, free, open, and honest dialogue between Europe and the United States on any matters, problems, or issues which threaten world peace and security. (Applause)

CHAIRMAN PETER G. PETERSON: Mr. Prime Minister, the applause speaks more eloquently than I could. I remind all of us; it is 2:45 in the morning in Dublin. I think we should give our distinguished guest the opportunity to at least nap before tomorrow. And as a token of our esteem and affection, Mr. Prime Minister, we have here a present for you, a traditional present to our guests. If I were less clumsy, I could even open it, which is a Big Apple which we have resisted the temptation to color green and I'm sure you will understand that upon seeing it. (Applause) Now as a token of both our concern and respect for the Prime Minister and his safety, the Secret Service has suggested that we all wait until the Prime Minister has left the hall. Mr. Prime Minister, again thank you sir. (Applause)