IRELAND AND THE EEC

the consequences of monetary union

and its effects on peripheral regions

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Small States exist in order that there may be some countries in the world where the maximum number of nationals are citizens in the true sense . . . For a small State has nothing else save this real and effective freedom, which fully offsets the advantages of a large State.

Jakob Burckhardt
1818-1897, *Switzerland*
Weltgeschichtliche Betrachtungen.

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INTRODUCTION

"To prophesy is extremely difficult — especially with respect to the Future". So, it is purported, goes an ancient Chinese proverb. No one even faintly familiar with the complexities of forecasting where present day trends will lead, would wish to lay claim to absolute knowledge of tomorrow. This means that every statement about the future ought, by rights, be accompanied by a string of qualifiers — ifs, ands, buts, and on the other hands. Yet to enter every appropriate qualification of this kind would require a book, not a pamphlet, and would bury the reader under an avalanche of maybes. Rather than do this, I have taken the liberty of writing firmly, without hesitation, trusting that the intelligent reader will understand the stylistic problem. The word "will" should always be read as though it were preceded by "probably" or "in my opinion".

The inability to write with precision and certainty about the future, however, is no excuse for silence. Where "hard data" are available, of course, they ought to be taken into account. But where they are lacking, the writer has both a right and an obligation to rely on other kinds of evidence, historic, impressionistic, and the opinions of well-informed people. I have done so throughout and offer no apology for it.

In dealing with the future, especially when it involves an irrevocable commitment such as full membership of the EEC, it is more important to be imaginative and insightful than to be one hundred per cent "right". Theories do not have to be "right" to be useful. Even error has its uses. The maps of the world drawn by the medieval cartographers were so hopelessly inaccurate, so filled with factual error, that they elicit condescending smiles today when almost the entire surface of the earth has been charted. Yet the great explorers could never have discovered the New World without them. Nor could the better, more accurate maps of today been drawn until men, working with the limited evidence available to them, set down on paper their conceptions of worlds they had never seen.

THE CONSEQUENCES OF MONETARY UNION

For the second time in modern history Ireland is debating whether or not to join an economic union. In 1800 full equality within the United Kingdom was offered in return for the sacrifice of Grattan's Parliament. It was expected that free access to British and Imperial markets would bring such prosperity to Ireland that any nostalgia for an Irish parliament would soon disappear.

That economic union brought tragedy to Ireland, not prosperity, and the longing for self-determination did not fade away. In a few months time the people of the 26 County Republic will be faced with a similar offer; full equality within the European Economic Community in return for the sacrifice of economic, and possibly political, sovereignty. This time the parliament and outward trappings of a State remain — the better to fool us with.

Matters of trade in the 1800 Act of Union were covered by the Sixth Article which began with a declaratory clause guaranteeing equality of treatment to Ireland. In principle, trade between Great Britain and Ireland was to be completely free, — "all articles, the growth, produce, or manufacture of either country, shall from henceforth be imported into each country from the other, free from duty." Castlereagh's comments dealing with the woollen industry, which had received favourable protection without penalizing the linen industry, are of some interest to the distribution of wealth in an economic union :

> "Here Ireland has not one trade secured on a supposed compact of giving up another, but both secured to her for ever. **It being indifferent where the wealth settles, so it is within a United Kingdom."** (My emphasis).

To this extent at least, Castlereagh was being more candid on the implications of a monetary and economic union than are his present day equivalents.

With the exception of what wealth settled upon Castlereagh and his allies, very little flowed into Ireland as a result of Union. As in all economic and monetary unions, stretching from Imperial Rome to the United States of America, the wealth and capital was drawn from the peripheral regions to the industrial and political centres of power. And the people followed soon after.

The fallacy of the Act of Union was a belief that conditions of equality were all that Ireland needed to prosper. In fact, it hastened the appearance of a serious regional imbalance not only in the British Isles but within Ireland as well.

We are in danger of repeating this fallacy with respect to Ireland's proposed full membership of the EEC. The headlong pace of development in England in the 19th Century was rapidly concentrating industry in areas where coal and iron ore were available and with ready access to markets. Industrial undertakings in less favourably endowed regions such as Ireland became uncompetitive and sooner or later went to the wall. The development of an efficient transport system based on steam navigation and railways further strengthened the ascendancy of the great industrial districts.

The operation of these natural forces, unrestricted by tariffs, preferential credit policies or other restrictions on trade, made the actions of politicans and parliaments seem puny by comparison. But such actions were not without effect — they made matters worse. Irish difficulties, for instance, were undoubtedly intensified by the monetary union of Ireland with Britain that followed, in 1826, the economic and political union of 1800. This monetary union with Britain, along with the return to gold in 1821, entailed a severe deflation and depression in Ireland. Some modern scholars, indeed, have argued that deflation rather than Union was the cause of Irish misery. The Union, however, and the maintenance of a par with sterling were very much aspects of the same thing.

At two points on the European Continent efforts are now under way to create a monetary union in order to bring about economic integration among allied countries; in the West within the Common Market and in the East within Comecon, the joint trade and monetary organisation of the East bloc States. By nature these two undertakings are fundamentally different and the chances of success unequal. At present, the Common Market plan exists only as a working document coupled with a timetable, which now must appear optimistic considering the current uncertainty of international currency markets, but as such it has already received the blessing of the Six EEC governments and the first stage of consultations between EEC Central Banks put into practice. Up to now the Western press has issued only a brief and unclear report from Moscow concerning the Comecon monetary union.

Is a Monetary Union Realisable?

Monetary unions must primarily serve a practical economic purpose. Only if they do so can they have any secondary impact as the driving force behind an economic union. It is precisely this which the Common Market has designated as the main purpose of its planned monetary union.

If we wish to determine whether planned monetary unions are realisable, we must first say something about the function of money in international economic relations. The great international role played by various currencies only began with the blossoming of international trade and the rapid development of long distance communications. This is the condition in which the international monetary system still finds itself today, although enriched by the intervention of governments and central banks since, as in so many other areas, the classic "laissez-faire" has proved untenable. Under the fixed exchange rate system established at Bretton Woods in 1944, which lasted until August 1971, the parities of various currencies to the dollar were permitted to fluctuate only slightly, analogous to the earlier "gold points" which reflected the shipping and insurance costs for gold. Today, instead of "gold points" we have foreign exchange margins, which represent the permitted limits of fluctuation for the official parities, although some currencies are still "floating" following the recent monetary realignments.

In a monetary union, which implies an even stricter and better functioning international monetary organization, the rules will be even more unyielding. If the monetary union of the six EEC countries is created, these five currencies (Luxembourg already has a monetary union with Belgium) will not be permitted to fluctuate at all among themselves. Should all four applicant countries go through with full membership, then there would be no fluctuations between the nine currencies. The parities registered with the IMF will be cemented and the present admissible fluctuations, the margins, are to disappear within the monetary union. All that will remain is the possibility of joint unitary fluctuation of all five, or nine currencies, vis-a-vis any other currency. By definition the individual currencies within the union will be able neither to fluctuate nor to be corrected individually. Any changes in parity will have to be made equally for all the currencies involved in the union, with no exceptions permitted.

In a free market economy there are theoretically no obstacles to a monetary union. But in practice the matter is by no means so simple. If the countries of the Common Market succeed in reaching agreement on final, unalterable parities of their currencies vis-a-vis all other currencies, no Common Market country would be able to help itself through currency manipulation in the event of export or import disruption due to varying price levels. The parities would be "cemented" and a French franc would be worth precisely the same in West Germany tomorrow as it was yesterday. Hence the price structure must somehow compensate for the inflexibility caused by the monetary union, and must be flexible enough to overcome any difficulties that arise. It is easy to see what difficulties stand in the way of a monetary union even in the free market system. Under such a system no one wants to cement prices, which are in good measure dependent on wages, which the wage earners in turn are not willing to have cemented. That is to say, wages must rise each year, but not prices; taxes are often raised, sometimes even retrospectively, but it is an unusual event when a country lowers a particular tax. For these reasons, Common Market leaders are agreed that there must be a "harmonisation" in a whole series of economic sectors if prices in the "domestic trade" among the member States are to play the very important role which they must assume as soon as monetary parities become inflexible. To what extent, however, the EEC planners will allow incomplete stabilization of cost factors to replace the renunciation of individual monetary elasticity in inter-member as well as foreign trade, is an important question. Evidence to date, which will be discussed later, indicates that the EEC is as determined to fix costs just as rigidly as exchange rates.

So far the principal achievement of the Six has been to create a free trade area, a customs union with pretentions. What is now envisaged is an entirely different kettle of fish. Since we have been left in no doubt about this, we shall be in no position, once in, to refuse to go along with it — quite apart from the fact that, under another reform now being discussed in Brussels, it is intended to withdraw, in favour of majority rule, the right members at present enjoy to veto major developments they do not approve of.

If the planned monetary union succeeds, member countries will automatically surrender authority over their monetary and fiscal policies.

Exchange rate stability with one another will take precedence over their own social and similar objectives, seeing that all must inflate at the same rate or not at all.

The Community's monetary unification programme is, in short, of the greatest relevance in every way one can think of to the question of whether it would or would not be in Ireland's interest to join. For what is involved is nothing less than the sinking within a matter of a few years of the Irish monetary identity in a European community of an entirely different kind from the one that the EEC represented when Ireland's application for full membership was made over a decade ago, and for that matter — of an entirely different kind from the one that the EEC represents at present.

The Werner Report

The Werner Report, published last year makes it quite clear that the Commission is committed to, and attaches high priority to, the establishment of a common currency as a first and crucial step towards closer political union.

What is alarming about this proposal is not so much that it has been introduced with virtually no comment whatever upon its economic implications, but rather that the disastrous nature of these implications is already so obvious. Unless the Werner Commission has, up its sleeves, some secret scheme for the wholesale forced movement of population and other resources from one country to another within the community, nothing could be more obvious than that the establishment of a common currency will create depressed areas of unparalled size.

The realisation of economic and monetary union, as recommended in the Werner Report, involves three kinds of measures, each introduced in stages; monetary union, tax harmonisation, and central Community control over national budgets. It envisages a three-stage programme, with each stage lasting about three years, so that the whole plan is designed to be brought into operation by 1978-80.

In the monetary field in the first stage the interest and credit policy of each central bank is increasingly brought under common Community surveillance. (The Council of Ministers have agreed to put into operation this first, purely consultative, stage but without any firm commitment to proceed to the later stages). In the second stage permitted margins of variations between exchange rates are reduced or eliminated and in the transition to the third stage exchange rates are made immutable and "autonomous parity adjustments" are totally excluded. In the final stage the Irish Central Bank — along with all other member central banks — would be abolished altogether or perhaps more realistically, given the highly developed self preservation instincts of civil servants, reduced to the status of the old colonial currency boards without any credit-creating power. In the latter case, provision may be made for the retention of "monetary tokens" (marks, Irish pounds, francs, etc. . . .) so long as each "monetary token" currency has always a 100 per cent backing in terms of the Community's reserve currency.

In the field of tax harmonisation it is envisaged that each country's system should be increasingly aligned to that of other countries, and that there should be 'fiscal standardisation to permit the complete abolition of fiscal frontiers," which means not only identical forms but also identical rates of taxation, particularly in regard to the value added tax and excise duties.

In the field of budgetary control the Werner Report states; "the essential elements of the whole of the public budgets, and in particular variations in their volume, the size of balances and the methods of financing or utilising them, will be decided at the Community level."

What is **not** envisaged is that the main responsibility for public expenditure and taxation should be transferred from the national governments to the Community. Each member country will continue to be responsible for raising the revenue for its own expenditure (apart from the special taxes which are paid to finance the Community's own budget but which will remain a relatively small proportion of total public expenditure and mainly serve the purposes of the agricultural fund and other development aid).

Basic Contradiction

And herein lies the basic contradiction in the whole plan and the gravest danger for Ireland. For the Community also envisages the scale of provision of public services (such as the social services) should be "harmonised", i.e. that each country should provide such benefits on the same scale as the others and be responsible for financing them by taxation raised from its own citizens. This clearly cannot be done with **equal** rates of taxation unless all Community members are equally prosperous, and increase their rate of prosperity at the same rate as other members. Otherwise the taxation of the less prosperous and/or the slower-growing countries, of which Ireland is the **least** prosperous,[1] is bound to be higher (or to rise faster) than that of the more prosperous (or faster-growing) areas. A further reason for differences in the burden of taxation necessary to provide a given level of service lies in differences in demographic structure, e.g. Ireland has a larger proportion of pensioners and school-children than other EEC countries.

To ensure that each country will raise enough in taxation to prevent it from getting into imbalance with other members on account of fiscal deficit, the Community will control each member's fiscal balance. Thus the taxes in the slow growing areas are bound to be increased faster; this in itself will generate a vicious circle, since with rising taxation and a high mobility of capital and labour they become less competitive, less attractive and fall behind even more, thereby necessitating higher social expenditure and more restrictive fiscal policies. It is for this reason that local authorities in Ireland are pleading for a further transfer of social expenditure (health charges, etc.) from local rates to the National Exchequer. A monetary union along the lines of the Werner Plan would

1.) According to EEC Statistics Office Report, Gross National Product per head for the 10 nations are: Denmark £1,318; Germany £1,262; Norway £1,224; Luxembourg £1,222; France £1,210; Belgium £1,106; Britain £906; Holland £998; Italy £713; Ireland £550.

create rapidly growing inequalities between the highly industrialized central regions and peripheral areas. To imagine the consequences, think what would happen if the inhabitants of each county in Ireland were required to finance all their social expenditure by local taxes and to maintain such services on the same level as Dublin. Maintaining a business in Mayo would be enormously penalised.

The Werner Commission's proposals ensure that if unemployment develops in any member country aggregate spending cannot readily be adjusted upward to reactivate demand: for the Commission insists that the Community Council must control the money supply. It is true, of course, that the Commission does say that "the limits within which the main budget aggregates should be fixed must be decided . . . having due regard to the structural peculiarities of each country".

But this, surely cannot be taken to mean that we would be allowed to adjust our own aggregate spending so as to maintain employment even if that aggregate spending happened to be in excess of the value of our production. For this would imply that France or Germany, say, would be willing indefinitely to spend less than the value of their production in order that the Community should not experience excess demand for its product as a whole.

Is it really anticipated that the continental countries of the EEC and Britain would allow Ireland to enjoy the consumption of part of their product without any reciprocal benefit? The **raison d'etre** of the EEC is to raise total aggregate product of the Community, not to redistribute it.

Steps To A Political Union

This is only another way of saying that the objective of a full monetary and economic union is unattainable without a political union; and the latter presupposes fiscal **integration,** and not just fiscal harmonisation. It requires the creation of a Community government and parliament which takes over the responsibility for the major part of the expenditure now provided by national governments and finances it by taxes raised at uniform rates throughout the Community. With an integrated system of this kind, the prosperous areas automatically subsidise the poorer areas. The cumulative tendencies to progress and decline are thus held in check with varying degrees of success by a built-in fiscal stabilizer which makes the surplus areas provide automatic fiscal aid to the deficit areas.

As no such transfer mechanism now exists within the EEC, nor indeed is any contemplated, it is impossible to say in general terms whether an economically weak and geographically disadvantaged country such as Ireland, would be better off without a financial frontier. On its own, it has to meet its own external bills; but it can arrange what it likes about its internal ones — a freedom that it can easily abuse. If it joins in a larger unit, it would certainly need a redistribution of income implicit in any unified system of progressive taxation, to which the richer regions which gained more through the centripetal tendencies which accompany the freeing of trade, would contribute more than their share. It is in this sense that the Six Counties, Sicily and West Virginia all get a good deal. But there is no provision in the Common Market structure to provide such a programme of transfer payments, and indeed, the Werner Plan is specific in its desire to limit each nation's consumption to its output. In the Common Market therefore, Ireland, deprived of the sovereign prerogatives of tariff, credit, and control of her exchange rate, would have to depend on those areas of production in which she has an absolute competitive advantage, — namely cattle raising. As Raymond Crotty has shown in his so far unrefuted quantitative analysis of such a course, the resultant level of total employment supportable by a cattle raising economy would be 700,000 compared to a potential level of 1,276,000 provided we say no to full membership of the EEC.[1]

By joining in a larger economic unit, it is true that a small underdeveloped country will gain access to a larger market; but this is attainable by association in a trading union short of full economic and monetary union.[2]

And if the country's economic prospects are declining, even if only at a relative rate vis-a-vis its other members, it may have more difficulty in retaining its own savings and capital once it is part of a large economic unit. It will almost certainly have more difficulty retaining its own people, who will be less reluctant to migrate over a geographical boundary to improve their lot than they would be to step over a national frontier. The results over the last fifty years of the free market in capital and labour between the United Kingdom and Ireland illustrate very clearly this point. Migration can theoretically improve the conditions (specifically, the marginal productivity) of those who stay behind. But after a point it involves a qualitative change for the worse in the composition of the declining community, — the old, the feeble, and lethargic stay.

Regional Disparities

The United States of America is a prime example of an economic, monetary and political union, and a few statistics illustrating the regional results may be of some interest: taking per capita income for the year 1963, we find :

Delaware — $3,298
Connecticut — $3,185
New York — $3,013

Excluding California, a growth area all its own, and Nevada — which as the gambling capital of America is not comparable with other states, these were the three highest. At the other extreme are the states of :

Mississippi — $1,390
South Carolina — $1,588
Arkansas — $1,607

The wealthiest monetary and economic union in the world has there-

1.) Ireland and the Common Market, **An Economic Analysis of the Effects of Membership.** See also Appendix No. 1.

2.) Ireland and the Common Market, **The Alternatives to Membership,** by Anthony Coughlan.

fore, over a 100 per cent difference in per capita income between the richest regions and the poorest regions.

Again, taking Federal corporate income taxes in America for the year 1964, we find that five states out of the then 49 accounted for over half of the total taxation collected.

It should be clear then, that while in a monetary union the rate of growth may very well increase, it will not increase with geographic evenness. The very nature of the union ensures that the pace of economic development of the various regions within the monetary union does not tend to a state of even balance, one region against the other, but quite the contrary, crystallises in a limited number of fast growing areas whose very success has an inhibiting effect on the development of the others; and owing to the existence of economies of scale both comparative success and comparative failure have self-reinforcing effects.

Centralising Forces

Why this is so is closely bound up with the strong and deep forces at work in any modern economy which operate in a centripetal fashion as Dr. Ted Nevin, Professor of Economics at the University of Swansea, recently pointed out in his pamphlet.[1] This centripetal tendency is evident in three very fundamental characteristics of a modern society:

a. First, the declining use of labour relative to capital in agriculture and the corresponding urbanisation of society;

b. Second, the decreasing reliance of manufacturing industry on natural materials, whether for processing or for power, and the consequent emphasis on proximity to the final market, rather than to mineral deposits or cultivable areas, as a determinant of industrial location and thus of population distribution; and

c. Third, the continuously increasing importance of services — as opposed to primary and manufactured products—as income levels rise and the compulsive power of the apparent economies of scale in so many of those services, for example, transport, health, distribution and, perhaps, education and entertainment.

If these forces are so deep-rooted as Dr. Nevin, among others, believes them to be, it is natural to ask, why have they not led to the total extinction of the peripheral nations of Europe and the total concentration of population in the centre? To some extent, of course, such a tendency has been at work in the massive migration of workers from Turkey, Greece, Spain and Southern Italy to the central industrial heartland of Europe that stretches from Rotterdam down through the Ruhr, the Rhine and the Rhone to northern Italy with an island around Paris. But on reflection it will be found that this centripetal phenomenon can be seen even more strikingly **within** the individual countries of Europe rather than between them. The reason for this is that in the context of international trade it is **comparative** cost which determines the viability of any given industry; differences in the absolute costs of production of a given industry in

1.) **The Common Market — Yes or No,** by Professor E. T. Nevin and Bishop James Maynagh.

different countries can be largely eliminated by two very powerful prerogatives of sovereignty: the tariff (or comparable restriction on trade), and the rate of exchange of the currency. Allied to those two is a third hall mark of sovereignty, the right to control aggregate demand through a national monetary and credit policy.

Given these immensely powerful weapons, the centripetal tendencies referred to can be substantially offset — wholly offset, perhaps. If the entire world were one monetary and economic union with fiscal integration, there would be some industrial areas which would constantly be in surplus and some areas which would always be in deficit, with a central world government evening out the worst fluctuations through social and development money transfers. This however, is not the case and an individual sovereign nation attempt to achieve sufficient equilibrium to maintain a balance in its society through the use of its sovereign prerogatives as instruments of a national economic policy. Within any individual country or common market, on the other hand, obstructing the centripetal tendencies of free trade may impose economic losses on some sectors of the community, and it therefore behoves society to make sure that the advantages it gains by this interference with free market forces are at least as valuable as the economic losses it may involve. This is a decision which depends primarily on political values rather than economic ones, a decision on **how** we wish to live in addition to how **well** we wish to live. And this is the important point: a sovereign society has that choice and can exercise that choice, wisely or ill. A society which has no control over its foreign trade, its rate of exchange, or internal credit policies, does not have that choice. Such a society must develop according to the external restraints and stimuli of the larger community as a whole.

It should be clear then why centripetal tendencies have been stronger within countries than between them. As between sovereign countries these tendencies have been qualified, whereas within any individual country there can be neither tariffs nor differences in price-levels arising out of foreign exchange rates. The survival of peripheral regions within a country — or a common market — has thus depended on absolute, not relative, costs; the balance of advantage was thus heavily and inexorably tipped in favour of the big, central battalions. It is evidence of how deep and how powerful these centripetal forces are that, despite expenditure by central governments on tax concessions, advance factories, cheap loans and so on, the experience of Europe has been virtually the same throughout; the centripetal tendencies may have been slowed down, but they have emphatically not been reversed.

The Loss of Economic Sovereignty

The American monetary union in operation some 200 years now, has tried to disperse economic development throughout its considerable expanse by adopting a far more flexible approach than that being pursued by the EEC. The Americans have not tried to harmonise the cost structure as the Werner Plan proposes to do.

In addition, as anyone familiar with the American scene will witness, the American Federal Congress has allowed considerable local economic powers to remain with the individual States.

Every State of America, even little Rhode Island, is free to levy whatever indirect taxes it wishes. It may have an income tax or even a wealth tax, as Connecticut has. It need not accept a doctor or dentist from another State unless its own standards are met to its satisfaction. There is no American company law. Most of the big firms are "Delaware corporations". California prohibits the addition of sugar to wine (a prohibition that the EEC has just forced Germany to relax). For journeys and shipments occurring entirely within its borders, a State legislates on drivers' hours and vehicle weights. Each State is free to use "tax holidays" to induce new industry to settle within its boundaries (a privilege Ireland may continue only at the pleasure of the Brussels Commission); it is free to forgive its road haulage firms their licence fees during a lorry drivers' strike; it is free to say that margarine may or may not be sold, or that margarine must not be the colour of butter; it is free to outlaw or permit Resale Price Maintenance; it is free to legislate in a thousand ways that are, or will soon be, denied to us as full members of the EEC.

The Case for Sovereign Money

One of the hallmarks of national sovereignty through the ages has been the right to "create money" — that is, for the sovereign to lay down what is or what is not legal tender, to require that it shall be accepted in settlement of debts within the country's borders, and to maintain the sole right of issuing this national money. The twin monetary attributes of an independent state, the ability to create its own money and determine its external value, impart both a freedom and a constraint. The freedom is internal, to create such purchasing power as the sovereign controllers see fit. The constraint is external, to limit spending and lending outside the country to its outside earnings or borrowings.

Consider then, Ireland with a monetary union of the Common Market. As within the monetary unions of the United States, the United Kingdom, and the Union of Soviet Socialist Republics, there will be but one currency. Domestic money is intra-national money so far as trade between member states is concerned. Anyone who has the means to make a payment in his own state can readily make a payment across the frontier of another member state. No balance of payments problem arises, because there is no distinction between domestic spending power and foreign exchange within the union. The total spending power however, of any one state is determined solely by the cash balances of that currency available to its citizens.

The Central Bank of Ireland, for example, will not be permitted to increase the amount of credit available to Irish citizens to permit them to increase trade between themselves in times of economic recession.

The principle of sovereign money can be illustrated by the example of a family within a country. Suppose first that the members of an Irish family settle the debts that they occasionally incur with one another in exactly the same way as they settle debts incurred with outsiders — whether in pound notes or cupro-nickel Irish coin. Then, just like a nation's money in a monetary union, the family's internal money will be the same as its external money; and members of the family will never suffer balance of payments problems though broke they all may be. The family income may be halved because the wage earners lose their jobs; but with no access to credit of any kind, this will force them to cut down their spending — not only with the outside world, but also within the family group. (Alternatively, they could pack up and move to where income or credit was available). Suppose the uncles have been in the habit of getting the boys to clean their boots or shoes for fifty new pence a week; and that the boys have used part of this to pay their sisters to do their sewing; and to pay their aunt for the apples she grows in her orchard. Now the men's income falls from £20 to £10. They cut down all round — on food and clothing bought from outside, but also on the services they buy within the family. For without any system of internal family credit, every pound they pass round here is a pound less on what they can spend on food from outside.

Now with a group as small as this, it will soon become clear that a more sensible arrangement is possible. Nothing can be done to prevent the reduction in external spending, still assuming that there is no source of external credit (from shopkeepers for our family, from the foreign surplus or creditor countries for a country). But there is no inherent reason why this cut in external spending has to force a cut in internal spending. To avoid it, all that is necessary is a mechanism of internal credit — which most families have used from the beginning of time and nation states have evolved in the last few centuries. The credit may be implicit, in the form of barter — you clean my shoes and I mend your socks; or, especially if the family is large and the mutual services not easily matched, the members may write each other IOUs. These will then be equivalent to an internal money supply. To conserve scarce external money (foreign exchange) the family may come to use its IOUs for all internal transactions — father may insist, and create the family equivalent of legal tender. He may also take the issue of IOUs into his own hands, to make sure the family finances remain under control. By using these IOUs to replace any drop in family income from external sources (foreign exchange), the family will be able to maintain all the monetary exchanges between themselves. **They will not have to cut down on the goods and services they buy from each other along with the cuts they have to make in their purchases from outside (imports).**

This, in crudist outline, is the way an independent monetary system can "create money". If for some reason the father of our sample family were prohibited from issuing or dealing in family IOUs, the social and economic security of the household as an entity would be threatened. Certainly, the individual members of the family, particularly the young and more talented individuals, might in fact do better for themselves by migrating to where more money and credit were available. In the long term they may possibly find greater prosperity. But the family, with the old and feeble left behind, would be doomed as a cohesive and perpetuating entity. The last census report showed that we already have one "dying" county on our hands, Co. Leitrim. In Leitrim the haemorrhage of emigration over the past years has left a population mix where the death rate now exceeds the birth rate, so that even if all emigration from the County were to cease forthwith, and the present birth and death rate continued, a position would eventually be reached where there would be no native Leitrim population in the County.[1]

Similarly, if in an economic and monetary union such as the EEC, Ireland and the Irish Central Bank lose control over the issue of currency and the creation of credit, we as a nation will give up much of our power of independent economic management. And as we have no industrial heartland to benefit from the rewards of such a union, we would have to depend on the crumbs from the rich man's table in Brussels. Unless the surrender of this country's sovereign economic prerogatives to favour its own citizens is concurrent with a truly massive regional aid or income supplements programme — of a scale unprecedented in the Common Market to date — the economic security and cultural identity of our society will receive a fatal blow.

On the Question of Regional Aid

It is remarkable that in the debate over the 26 Counties' proposed entry as a full member into the EEC, little comment has been made on the fact that fully one third of Ireland is already in the EEC, only in this case it isn't the European Economic Community — it is the English Economic Community.

The 1,500,000 inhabitants of British occupied Six County area have been full members of the English Economic Community for some time now. The prospect of the U.K.'s entry to the Common Market has caused some concern among British economists that membership of a monetary union in which Britain would lose control of her exchange rate flexibility would create problems of a regional nature in the U.K. itself. In a transcript of views [2] on this subject culled from distinguished economists in Paris and elsewhere, is the following sentence; "meanwhile it would be a very good thing if you (Britain) would devalue the Northern Ireland pound as against the London pound, or take steps that would have an exactly similar economic effect". To a continental economist it is immediately recognizable that the Irish economy, or any part of it, is not a natural and integrated section of the British economy and that exceptional measures would have to be taken if economic injustice was not to be the fate of the Irish region. There is of course no chance, unfortunately, of a devaluation of "the Northern Ireland pound". Britain has however, provided Northern Ireland with considerable regional aid subsidies which, ". . . have an exactly similar effect." The exact extent of this aid has been the subject of much debate, but informed estimates vary from £100 millions a year on the low side, to £140 millions a year on the high side. The high estimate being nearly £100 a year for every man, woman, and child in the Six Counties. Yet despite this generous regional aid programme, male unemployment in Derry — even before the troubles — was getting on to 20 per cent. Overall unemployment in the entire Six Counties has constantly been at a level twice that in Britain, and three times

1.) **Census of Population of Ireland 1971.** Exclusive of Counties Antrim, Armagh, Down, Tyrone, Fermanagh, and Derry. Prl. 2019. Pg. 22.

2.) **Economist,** May 16, 1970

the level of English unemployment. It would have been higher still were it not for the "labour mobility" which exists within the English Economic Community.

For the 26 County Republic to receive an equivalent amount of regional aid to achieve the same unsatisfactory state of affairs, the Common Market would have to contribute nearly £300 million per year in regional aid to the South. It is just not possible to conceive of such an open purse policy being practised in Ireland's case when there exist several other regional areas already within the Common Market which presumably have some seniority over the claims of newcomers. The U.K. has only on "off-shore" region to assist. The Common Market already has three: Sardinia, Corsica and Sicily. In this, the 26 County Republic is unique, for unlike the other "off-shore" regions, we have no centres of political and industrial punch to assist us — as Dr. Hillary's wanderings around the capitals of the Free World seeking aid and assistance in the North have so amply demonstrated. Corsica has Paris, Sardinia and Sicily have Rome; Ireland has only the imaginative use of its actual and potential power which it retains as a sovereign nation to so structure its fiscal, monetary and industrial policies as to put the welfare of its citizens above all comers.

EEC Regional Aid

Although no less a political personage than Mr. Ted Heath has declared the EEC 'has no regional policy", some ad-hoc programmes have been discussed. Last June, for example, it was announced with great fanfare that a major new drive to develop the Community's backward regions was to be launched. The proposals have been sent to the six member Governments and were discussed by the Council shortly thereafter. According to M. Borschette, EEC Commissioner in charge of regional policy, three main courses of action were to be undertaken; development of the infrastructure, retraining of the labour force, and the promotion of productive investment in goods and services. The areas concerned were mainly the South of Italy and South Western France, but other regions could also qualify.

The aim of the Commission is to assign £38 millions ($100m.) a year over the next five years to carrying out the programme. Half of the money would go to a special new Fund that would grant interest rate subsidies on loans to public and private companies setting up in the developing areas or improving the infrastructure. The interest rate advantage would be 3 per cent over 12 years, and would apply to only 30 per cent of the investment concerned. In other words, less than a 1 per cent interest subsidy for the total investment for a limit of 12 years. The remaining half of the funds would come from the Community's Common Farm Fund, and would be allocated on the basis of approximately £600 for each new job created. The new programme is said to complement an earlier more general document [1] on regional policy sent to the Council in 1969, **and which is still under discussion.**

1.) This document, Note sur la Politique Regionale dans Communaute — COM (69) 950 and annexes — was submitted to the Council of Ministers in October 1969.

When we consider that the combined total population of the Main Geographic Areas of West France and South Italy, the principal development areas of the EEC, is approximately 36 million, [1] the regional aid programme works out at about £1 per person, per year for five years, even if all of the funds were spent in these areas.

Compared to the regional aid programme of the U.K. for the Six Counties, and our own set of industrial incentives operated by the IDA, the EEC programme looks very slender indeed if, for that matter, it ever does get past the discussion stage.

Startling Implications for Connacht, Munster and Ulster

In a speech to the European Parliament on May 6, 1969, Mr. Hans von der Groeben, the Commissioner then in charge of regional policy, made the following remarks:

> "Migration from one region to another is not a bad thing in itself; like the changeover from one industry to another, it is necessary if overall elasticity of the economy is to be maintained. But it becomes dangerous if it widens the gap between the extremes in the economic and population structure of the regions. Politicians face difficult decisions where migration from thinly populated regions threatens to push them below a viable level; it could lead to whole regions lying waste. Although it is impossible to define this level clearly in the general adaptation and adjustment process, in 1962 eight agricultural regions had a population density lower than 50 persons per square kilometre and 15 a density lower than 75 people per kilometre.
>
> The Community's regional policy will have to distinguish between two kinds of region: those which, as a result of good production conditions or a high degree of specialization, have a good chance of maintaining themselves as the Community's agricultural production centres in the longer as well as the shorter term, and those regions where the farming population has to struggle against unfavourable operating conditions natural and climatic, and where the establishment of new industries is subject to major difficulties.
>
> The first category, i.e. the promising agricultural regions, the main task is to develop existing industries and services to create a dense enough network of urban service centres. In the second category, i.e. the agricultural regions labouring under difficult conditions, the authorities will have to assess whether migration from them has already reached such proportions that the setting up of industries, the strengthening of the infrastructure, and the modernization of farming can no longer be expected to breathe new life into them. **In these most serious cases, the solution lies in promoting activities such as tourism, nature parks, water reservoirs, sanatoria, hospitals and health resorts, and possibly scientific research institutes.**"[2] (My emphasis).

1.) See Appendix Number 2.

2.) Much the same programme is outlined in the report, **A Regional Policy for the Community**, by the Commission of the European Communities, 1969, pages 42, 43

If we applied the implications of Mr. von der Groeben's speech to the 26 County area, we would find:

Area	Population per sq. mile[1]	Population per sq. kilometer[2]
Leinster	186.6	72.0
Munster	92.2	35.6
Connacht	60.8	23.4
Cavan, Monaghan, Donegal	67.3	25.9

The lesson scarcely needs to be laboured. Suffice to say that the entire provinces of Munster and Connacht, along with Cavan, Monaghan and Donegal all have less than the 50 persons per square kilometer which Mr. von der Groeben implies "could lead to whole regions lying waste" and lead to a development programme consisting of tourism, water reservoirs, sanatoria, etc. Leinster, on the other hand, comes close enough to meeting the requirement of 75 people per square kilometer to rate it in "the promising agricultural regions, where the main task is to develop existing industries and services to create a dense enough network of urban service centres."

European Social Fund

Provision for the creation of a European Social Fund "in order to improve the possibilities of employment for workers and to contribute to the raising of their standard of living" was made in the Treaty of Rome which also laid down its functions (Articles 123 and 128). Under certain conditions, the Fund can reimburse the member governments half the cost of:

1. retaining unemployed workers or workers subject to prolonged under-employment.
2. resettling workers who have to move to get new jobs.
3. paying workers up to 90 per cent of their previous wage when a company undergoing a fundamental change in its activities must retrain or suspend its workers.

To the 31st December, 1968 the Fund had spent approximately £30.8 million. Of this sum £28.5 million was spent on retraining. The remainder was spent on resettlement, and up till 1970, the latest figures available to the writer, no payment has yet been made under the third category.

In its original form, which persisted up to January, 1972, the Fund was a very narrow and passive instrument of the EEC Commission, by which it was administered. Its budget, supported by member states, was barely £3.5 million per year. The Fund had no initiating powers and had to await requests for aid to come from the member states. The Fund had no right or power to assess the urgency of a request, and further, Fund aid was

1.) **Statistical Abstract of Ireland,** less Counties Derry, Down, Antrim, Armagh, Tyrone and Fermanagh, 1966. Prl. 1101. Pg. 8.

2.) 2.59 square kilometers to one square mile.

conditional on the worker having been placed in a new job for at least six months.

By 1969 it was being admitted by the Community that although "the repayments have a certain stimulating effect at national level they have no real impact on the economic and social life of the Community because of the impossibility of coordinating them, concentrating them on the most important problems, and guiding them along lines consonant with the Community's requirements and priorities."[1]

The Fund, operating with no monetary resources of its own, and as a sort of central clearing house for a large number or unrelated projects was seen, even by its original founders, as being totally inadequate.

Accordingly, in June, 1969, the Commission presented to the Council proposals to reform the Fund.[2] The Commission's own investigations suggest that rapid technological and economic changes could compel one worker in ten to change his job over the next ten years. **Inter-EEC competition could lead to fewer jobs and even factory closures**[3], especially in these sectors; laminates, domestic appliances, shoes, gloves, carded wool, electrodes, enamelled tiles, and ceramics, the Commission warned.

Reorganisation of Fund

The Commission forecasts that between the time of the report and 1980 — dealing only with the existing Six — more than two million farmers aged between 20 and 55 will have to find jobs in the towns. Over the next five years (again from the date of the report) the Commission expected between 200,000 and 400,000 redundancies likely in the Community's textile industry, and at least 200,000 in the coal industry (here the European Coal and Steel Community is responsible for retraining workers). Workers, the Commission went on to say, will also have to leave the leather, newsprint, lead and zinc, rolling stock and the nuts and bolts industries.

After a long wait, the Council recently adopted a number of measures for the reorganisation of the Fund, and these take effect from the beginning of 1972. The reformed Fund will continue to pay half the total cost of approved expenditure. In future it will be allowed to aid private as well as public bodies — subject to certain guarantees. Farmers will also be eligible for help. The major change is that the Commission and Council will be able to help what the Council called "type A situations": helping workers directly affected, or likely to be affected, by the execution of Community policies. This will give the Community the power to take the initiative in deciding where, when and whom to help. In "type B" situations, the Fund will continue its traditional activity: automatically reimbursing governments for national programmes and where employment

1.) **Third General Report on the Activities of the Communities,** 1969, pp. 295-296.

2.) **Sur la Reforme du Fonds Social European,** Journal Officiel des Communautes Europeennes, 13 Octobre 1969.

3.) See Apendix No. 3 showing a decline of total employment in Italy of nearly one million between the years 1961 and 1965.

is affected not by particular community measures but indirectly from its operation.

The very important question concerning the scale of Funds activity has not yet been decided, but it has been agreed that it should be financed from Community resources. In its 1969 report the Commission estimate that some 150,000 workers would need the Fund's help each year. Presumably that number will increase upon the enlargement of the EEC. It is intended that the expenditure of the new Fund will commence at $50 (£19.4) million per year, and increase over time to $250 (£96.1) million. These figures have not, however, been agreed to and the Government's White Paper notes. ". . . it is not possible at this stage to make any reliable estimates of the amount of the payments which will accrue to this country under the Fund"[1]

The European Investment Bank

According to Article 130 of the Home Treaty the task of the European Investment Bank is to facilitate the financing of projects in three categories — infrastructural development in less developed regions; modernisation or conversion of enterprises and creation of new employment opportunities in **depressed** areas; and projects of common interest to several member states.

To rate as a depressed area in this regard, the area must be recognised as depressed by comparison with other EEC areas such as Southern Italy, Sicily and parts of West France, not simply depressed by Irish standards.

The object of the Bank's loans is to "prime the pump" of any one propect in that loans are made only for a part of the cost of the projects concerned; the remaining finance is raised by other means. For that part of the finance which the EIB does put up, it does so on strictly market rate,[2] except in the case of loans to African Countries. In 1969 the rate was raised twice. A breakdown by sector on December 31, 1969 showed industrial investments taking 37.6 per cent of the total $1,584.3 millions resources of the Bank. Transport took 30.5 per cent and Energy, 14.6 per cent of the funds invested.

As a source for development capital for peripheral regions (the Bank also invests in developed areas in certain cases) the EIB therefore, plays a narrow but sometimes useful role. **Most important from Ireland's viewpoint is the fact that a country does not have to be a full member of the EEC to avail of the opportunity to borrow money at market rates from the EIB. No less than 21.4 per cent of all outstanding loans as of the year ending 1969 were made to European associate countries (Greece and Turkey), associated African States and overseas territories.**

In addition, Ireland as a full member in an EEC of ten nations, would be required to contribute $3 million to the Bank's capital, i.e. 20 per cent of its total share of $15 million.

1.) **Accession of Ireland to the European Communities** (Prl. 2064) 1972, pg. 172. para. 293.

2.) While the Bank may not make a loan at a reduced rate of interest, the member state concerned, or some other authority, may subsidise the interest rate in certain cases.

Proposals [1] from the European Commission sent to the Council of Ministers in October, 1969 and presented to the press by Hans von der Groeben, the Commission Member then responsible for regional policy, started by emphasising that regional policy was the responsibility of individual countries, and that the Commission's role was only one of co-ordination, supplementing what the states themselves were doing. This modesty about its role is accompanied, however, by a description of the situation that is little less than an indictment of the way things have developed in spite of the oft quoted pious platitude, Article 92(3) of the Treaty of Rome, which refers to "aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious unemployment". The Commission points out that the gaps between living standards in the different regions, both within the states and between them, had not in many instances narrowed at all in the first ten years of the EEC's existence.[2]

What is lacking is a political commitment by the Council of Ministers to put the required financial muscle into a long term, fundamental regionalization programme. What has been done in the Community framework — a few million dollars on isolated investment projects — is not even a drop in the bucket compared to the relentless pull of industrial concentration around the industrial spine of the Community. This lack of commitment on the part of the Brussels technocrats can be illustrated by several items. There was the concern expressed by Signor Formentini on the eve of his retirement as President of the European Investment Bank in 1969, about the shortage of long-term capital. "If this situation continues", he said, "it may thwart the efforts . . . to encourage the movement of capital between the most favoured areas of the Community and those where development or conversion is most difficult." And it must be remembered that Signor Formentini was speaking of long term capital which is lent at full market rates.

Then there was the recent decision by the Council of Ministers to allow the central industrialized areas to continue to offer grants up to 20 per cent for new investment projects. This is not a matter of "being thankful for small mercies" because prior to this they were allowed an even greater latitude in attracting industry. What is of grave concern is the fact that such fully developed regions should be allowed **any** grant incentives, seeing as how they already are certain, by the very nature of their size, location and political importance, to rake in the bulk of expenditure on roads, housing, sewerage, ports, airports, schools, and other such social infra-structures.

Far from allowing any grants at all in the EEC's developed regions, what would be needed would be a **negative** grant level, a tax, say, of 20 per cent on any new developments in such regions.

Much has been made of the special protocol negotiated for the 26 Counties, recognizing that it is in the interest of the Community to ensure the attainment of the objectives of the Irish Government's policy of in-

1.) **Note sur la politique regionale dans le Communaute** — COM (69) 950 and annexes.

2.) See Apendix Number 3 for tables showing decline of employed persons in peripheral regions of Italy.

dustrialisation and economic development. To the extent that it would put us on an equal footing with Southern Italy for development funds (but lacking the political clout of Rome) it is a good thing. Indeed, it was one of the safeguards originally put forward by the Common Market Study Group for the Government's consideration. But the protocol is of no use if there is not the willingness of the Six EEC Countries to permit it to be used as anything other than a political sop to sway the Irish electorate in the referendum.

The Irish experience in the negotiations over the EEC fishing policy, and subsequently, over the sugar beet quota, should give clear warning to any but the most perverse pro-marketeers that the willingness to grant something "over the odds" to a small, underdeveloped, peripheral region, that is without a strong industrial heartland to benefit from the centre-pedal tendencies of free trade, is simply not there. If the protocol was to mean anything at all, here was a time to use it. Not only would the benefits accrue to a peripheral country, but to peripheral regions of a peripheral country. The industries, the manpower, the markets were already established, and only needed a fair shake to expand. Instead what was negotiated fell far short of the spirit of the protocol. The EEC fishing policy of common access remains unaltered, a policy which was rushed through the Council of Ministers with indecent haste prior to the opening of negotiations with the four applicant countries. All that the Irish negotiators achieved was a derogation from that policy for a period of ten years for part of the Irish coastline, with no guarantee that it will continue.

The sugar beet quota was an even greater test of intentions. Here was an industry again located in rural areas of a peripheral nation, utilizing native raw material, sugar beet, grown largely by the small farmers who are supposed to be gearing up their capitalization so as to survive in EEC conditions. Ireland's request for a quota of 240,000 tons was made up of 180,000 tons used by the home market and processed exports, and the Six Counties 60,000 tons requirement. There is no sugar processing in the Six Counties. We received a quota of 150,000 tons, considerably less than the 26 County requirement. Australia, which is not applying for any kind of membership or association with the EEC, received a quota of 340,000 tons. The French dependents of Guadaloupe, Martinique and Reunion, received a quota of 465,000 tons, while Southern Italy received a 30 per cent increase in its quota, and Belgium a 40 per cent increase. It should be clear then, that lacking the political clout of a Paris, Rome or Brussels, the 26 Counties will always be left thanking the Lord for small favours.

The evidence shows that there is no willingness on the part of the Community to redress the disadvantage we place ourselves in by surrendering our sovereign economic prerogatives, with any meaningful regional aid or transfer payments. The dictum of the EEC is **not** "to each nation according to its needs," but rather, "to each nation according to its influence".

In Defence of Small Nations

One of the most repeated — and least creditable — claims being made by the proponents of EEC membership is the totally defeatist one which stipulates that if we do not join we will face some form of economic quarantine. As if we would somehow contract a social disease, and no one will want to trade with us again. This argument can be quickly dispelled by simple reference to the trade statistics of commerce between each individual member of the Six, and the 26 Counties. Every nation of the Six enjoys a considerable balance of payments surplus in trade with the 26 County Republic.

IRISH TRADE WITH THE EEC IN 1970

	Imports from £m.	Exports to £m.
Germany	46.1	12.3
France	21.2	13.5
Italy	13.0	6.8
Belgium	9.7	7.0
Netherlands	17.8	9.4

They are not likely to forego such advantage easily. They will continue to trade with us as long as it benefits them to do so.

More important however, is to challenge the underlying philosophy used to support such claims. It is necessary to refute the basic assumption that small nations gain economically by joining in unions with large nations. History abounds with illustrations which show that it is not isolation or separation, but union between states that has been responsible for many of the worst examples of economic retardation. There were the unions of Scotland with England, of Ireland with England, of Hungary with Austria, of Southern Italy with Lombardy, of Brittany with France. In addition, the worst underdeveloped regions within the Common Market are characteristically located not in its small member states, whose modest dimensions leave no room for the luxury of neglected areas, but mostly in the integrated and long united large territorial powers and monetary unions such as Italy and France, whose dishevelled governments have never managed to pay proper attention to their Calabrias and Brittanies.

Division, Not Union

The most surprising support of the idea that the solution of modern economic problems might lie in division rather than in union comes, however, from those who ought to know best; the leaders of the scale-ridden Soviet Union, the United States, and paradoxically, of the Common Market itself. Thus after experimenting for 40 inefficient years with the concept of One Country — One Factory, Nikita Khrushchev, mobilizing his horse sense, decided at last to try a faster road than the one cluttered up with the wreckage, of what the Russians themselves called "gigantomania". So in 1957, the same year as the Six formed their union, he divided the Soviet monolith into no fewer than 105 economically highly autonomous small provinces. True, in 1961, he reduced this number to 17 regions of what he considered optimum populations of between 8 and 14 million inhabitants (leaving only one central region with 25 million). But he increased their autonomy still further for two specifically declared purposes; firstly, to speed up the development of the country's scandalously numerous under-developed regions through the reduction of the size of the various economies to the measure of man and the consequent stimulation of local and personal, though not private, initiative; and, secondly, to avoid the danger, resulting from too great a degree of integration, that the loss of one area, through war or other disaster, would entail the strangulation of all.

And in 1961, after barely four years of life on an extended scale, came the suggestion emanating from no less an authority than the Vice-President of the Commission of the EEC, M. Robert Marjolin, that, for Common Market purposes, it would be best if the member states were to split themselves up into uniformly small regions of from 2 to 5 million inhabitants.

1971 saw the conversion of the newest of all new revolutionaries, President Nixon who joined the ranks of those who seek to devolve power to the regions, rather than centralise it in Federal capitals. It is now a matter of high priority in the Nixon Administration to shift as much responsibility and power back to the individual States of the American Union as a reluctant Federal Congress will allow. It must also be noted that the two largest States in terms of population, California and New York, have active campaigns by their own citizens to split each State into two parts. New York City seeks to secede from New York State, and Northern California believes it would be better off separated from the megalopolis of Southern California.

Thus, after decades of obsession with the economics of growth at any price, the political practitioners of mega-state unions are beginning to feel that what really counts in our time is the economics of **size,** of **shape,** of **form,** of **style.**

The question is: must we first join the hugeness of the Common Market to appreciate — with its former Vice-President — that superior virtue lies in the small community? After all, it was not union but a continuous process of dismemberment, division, separation, of adaptive radiation, which created the most spectacular economic advances. To see that this is so, one need only to recall the economic consequences of the separation of the American colonies from England, of the 26 Counties from England, of Norway from Sweden, of post-war Austria from Germany, of Iceland from Denmark.

The Economics of Small Size

In the West we have been told so often that to be "progressive" a company must be "international", that it has come to many people to appear "natural", and any suggestion of a national approach to economic thinking appears perverse and even cranky. This is so even though Western type "international" systems are appearing more and more unstable, and instead of being a means to the good life are becoming molochs which dominate all and which, indeed, are being used to destroy a great many of our prospects of a good life. It is only when economic affairs are in local hands that they can be made to serve local needs and that the numerous checks and balances necessary to keep an economy stable will be operative. Indeed, it is possible to postulate that the larger a market the larger the element of unpredictability that enters into economic arrangements, the less control there is over the situation and the greater the prospects of radical instability.

This is true for a number of reasons. Firstly, local control will not be subject to open-ended economic objectives; the use of local resources for the maximum production of any item will be subject to the need of local community to use its resources to satisfy a whole pattern of other needs.

Secondly, numerous small scale producers in different localities act as a cushion to fluctuating economic conditions in a way which few large firms are able to. Despite the frequently illusory benefits of the "economies of scale", the reserve stocks of raw materials of numerous small producers will surely be larger in total than those of a few large firms, as will the reserve position and the capacity to adopt to market changes.

A big firm lacks altogether this kind of flexibility. In good times it grows bigger like a bubble and in bad times, like a bubble, it goes burst (Penn Central, Rolls Royce, Lockheed, and Upper Clyde Shipyards). The rhythm of the large-scale can do no other than constantly accelerate at whatever real cost to the community in terms of environmental squalor, denial of other community needs, perversion of existing consumption patters, waste of resources, distortion of community values and frustration of human lives. The success of the large-scale is measured not in these social terms but purely in the quantitative terms of profit and production. Not least of the ironies of the situation is that ultimately it fails even by these standards as, of course, it must since it assumes as a matter of course that countless human beings will be indefinitely content to work in conditions where every element of individual creativity is eliminated. It also assumes that the ecology-system will be able to withstand indefinitely both the depredation and the derangement which large-scale production so often entails.

The question of public or private ownership here is scarcely relevant. For too long we have judged governments only by their ideologies, when it was the **structure** of government which should have been the object of examination. The scale and degree of centralisation of the operation have been ignored. Small European city states could continue for centuries despite the fact that they were largely capitalist and even feudal, that class oppression was rampant, that they were full of ignorance, superstition, disease, squalor, illiteracy and shocking housing conditions. Yet they produced patterns of civic life, of urban planning and architecture, as well as standards of music, poetry, drama, philosophy, painting, sculpture, and a general harmony of the elements of life with man's needs which attracts millions of visitors to this day, and mocks those "Super-Powers" with their technology and science, their computers and power stations for the bleak meagreness of their own accomplishments and the comparative sterility of the quality of their existence.

"Europe des Regions"

Wherever the real voice of the people of Europe is heard it is calling for less centralisation and not more. The recent death sentences of the Basque nationalists, which were only commuted after world-wide protests, were not pronounced because the Basques are fighting for a United Europe, but because they want an independent Basque nation. The bombs exploding in the Six Counties, and occasionally in Wales, are not in celebration of their union with England, but rather because they are "united". The workers rioting in the socialist States of Poland and East Germany, and the eight months of civil strive in Southern Italy, are primarily due to a sense of outrage that these people feel that they are not sufficiently masters in their own house. The same is true of the Catalans, the Tyroleans, the Macedonians, the luckless peoples of the Baltic States, the Georgians, the Ukrainians, the Serbs, the Croats, and numerous other ethic groups around the continent. Any political organisation which seek paramouncy on the basis of the deliberate supression of the legitimate claims of these and other peoples to independence, a claim for which we Irish are still fighting, will simply be planting, howing and watering the seeds of its own destruction, much as the Stormont and Westminster Governments have sown the seeds of their own destruction in Ireland.

Functional Unity, Not Political Unity, Required

Yet there is an important sense in which the arguments for a United Europe are soundly based, and it is for this reason that it is all the more pity that they seldom rehearsed. Europe needs a European railway service and perhaps, also, a coordinating agency for posts, telegraphs, shipping, air transport, health-promotion, currency management, legal matters and so forth. The arguments that **therefore** all these matters need to be under some central government in Brussels or elsewhere, which simply means that it will be a government exceedingly remote from the people and highly susceptible to the organised pressures of really big business, is precisely the one we are seeking here to refute. Such a government will surely fail to pass any test of democratic practicability, and the evidence for this is abundant, for it is writ bold in the experience of every large country, European or not. Structures made up of hundreds of thousands of people can still be fully democratic without falling into disorder. But structures employing hundreds of millions cannot possibly preserve order without increasing degrees of authoritarianism, no matter how great the wish for democracy may be.

Maximise Decentralised Decision Making

What then must we do? If we grant the necessity for some forms of unity, why not steer a course between the Scylla of Continental-sized centralism and the Charybdis of national-sized centralism by working for a system of separate, autonomous authorities drawing their power to act from the localised franchise of all the European peoples? The present provincial and regional boundaries within nations have lost much of their historical meaning and power. But they might be just right for electing representatives to the national railway boards, which in turn could elect members of the Railway Council of Europe; they might be just right for elections for many of the other separate services which a modern state requires.

On this basis Europe might well become functionally united in terms of those functions where unity is desirable. But this would involve no protentious and dangerous nonsense of a European Parliament, for the political base would remain where it belongs, and with it the jealously guarded rights of separate currencies, custom barriers and whatever other economic defences small countries may feel a need for against the pressures of over-mighty neighbours, international commodity markets and panic movements of share prices.

Such a step would accomplish two things: it would achieve a unity of Europe in those separate organisational matters where it is desirable and it would establish effective barriers to unity where it is not. We do not need a political or overall economic union of Europe, and again, the argument here is not one of efficiency, but liberty. It is the cause of liberty which demands that the multifarious national groups of Europe do not allow their capacity to decide and control to pass from their hands to that of some remote, super-capital, if only because there is not a single instance historical or actual, where such a scale of organisation has been found to be reconcilable with the realities of democratic control. Under such a form of unity the people of Europe will soon find they have no more power to influence affairs than have the ordinary people of the Russian or American superpowers.

To reject the existing — and proposed — power structures of the world on this basis, is not to reject them because they are Capitalist, Communist, Socialist, Fascist, or whatever — but simply because they are too big. In the context of power, bigness is also correlated with centralisation and a drive to accelerate the speed of change.

Why not work for a world where government and economics are under genuine human control because the size of such units are small, sensible and human-scale, where there is a maximum of decentralised decision making, and where the pace of change is regulated not by the appetites of an overmighty minority for profit and power, but by the day-to-day needs of small scale human communities and the psychic capacities of their members to adapt?

Why not insist that efficiency in all these matters be measured not by isolated statistics of economic production, but by well-reasoned principles of human betterment based on the accumulated wisdom of human history, especially the history of periods which appear to have been far more successful in solving their problems than we have been in solving ours? Full membership of the EEC by Ireland will prevent the adoption of policies based upon these principles.

APPENDIX I

RAYMOND CROTTY'S ESTIMATES OF EMPLOYMENT PROSPECTS INSIDE AND OUTSIDE THE EEC

Would Ireland be better off in terms of jobs, living standards and economic growth if we were members of the EEC or if we stayed out? What would be the effects on Irish employment of free trade within the EEC, or of free trade with the EEC if Ireland does not become a member, or of a preferential trade agreement stopping short of complete free trade? Of what value are the several different economic development strategies which an Irish Government, having retained its powers of independent decision, could adopt?

These are vitally important questions, but the astonishing thing is that the only Irish economist who has made any attempt to publicly answer them has been Mr. Raymond Crotty in his study *Ireland and the Common Market, an Economic Analysis of the Effects of Membership.* In this work he gives projections of future Irish employment trends which show very clearly that it would be disastrous for Ireland to join. It is surely extraordinary that the Government and its economic advisers have produced no figures which attempt to estimate employment levels if we join or stay out of the Common Market. In the ten years since Ireland first applied to join the EEC the Government has published no projections of the effects of membership on the balance of payments as, for example, the British Government has done. Neither has the Irish Government made even the crudest estimates of the effects of membership and non-membership on output, consumption, exports, imports and economic growth. Raymond Crotty's estimates are therefore the only ones available until the Government publishes some estimates of its own and shows how they are derived.

The following is a summary of Crotty's model of the Irish economy in 1970 and 1980, assuming membership and non-membership of the EEC and assuming the various changes in economic policy indicated:

Case 1: Assuming the rate of decline in the agricultural population continues during the 1970s at the same rate as in the period 1960-70, and assuming also that the ratio of import prices to domestic Irish prices remains unchanged during that time. The latter could be achieved by abrogating the Anglo Irish Free Trade Agreement and/or by altering the currency exchange rate so as to offset the decline in the import/domestic price ratio resulting from tariff removal or from rising prices here.

Case 2: As in Case 1, but with free trade and no offsetting devaluation.

Case 3: Assuming membership of the EEC, with the agricultural population halved as a consequence of achieving the Mansholt targets for farm holdings, together with free trade with the EEC and no offsetting exchange rate variation.

Case 4: Assuming the adoption of policy measures, such as those mentioned earlier, to slow down the decline in the agricultural population from 25.4% in 1960-70 to 17.5% in 1970-80, and either the abrogation of the Anglo Irish Free Trade Agreement or alteration of the exchange rate to offset the AIFTA's effect on the import/domestic price ratio.

Case 5: As in Case 4 with, in addition, the import/domestic price ratio increased either by the abrogation of the AIFTA coupled with increased tariffs, or alteration of the exchange rate to more than offset the effects of free trade or rising domestic prices on the import/domestic price ratio.

PROJECTED FIGURES FOR EMPLOYMENT, OUTPUT, CONSUMPTION, EXPORTS AND IMPORTS IN 1980 ASSUMING EEC MEMBERSHIP AND NON-MEMBERSHIP

	1970	Case 1	Case 2	Case 3	Case 4	Case 5
Consumption	986m.	1,670m.	1,524m.	1,170m.	1,893m.	1,972m.
Imports (competing goods)	194m.	409m.	477m.	366m.	464m.	436m.
Exports	325m.	589m.	468m	330m.	684m.	743m.
Output	1,117m.	1,850m.	1,515m.	1,134m.	2,113m.	2,279m.
Manufacturing Employment	207,000	239,000	192,000	144,000	268,000	289,000
Agricultural Employment	291,000	217,000	217,000	146,000	240,000	240,000
Services Employment	568,000	644,000	578,000	410,000	718,000	747,000
Total Number Employed	1,066,000	1,100,000	987,000	700,000	1,226,000	1,276,000

Case 3, which assumes EEC membership, and the achievement of the Mansholt Plan targets by 1980, *indicates that there would be a disastrous fall in total employment within ten years of membership.*

Case 2 shows the effects on employment of the continuation of the Anglo Irish Free Trade Agreement, with no reduction in the 1960s rate of decline in the agricultural population. Cases 4 and 5 show full employment or near full employment situations — and the precondition of either of them is remaining outside the EEC.

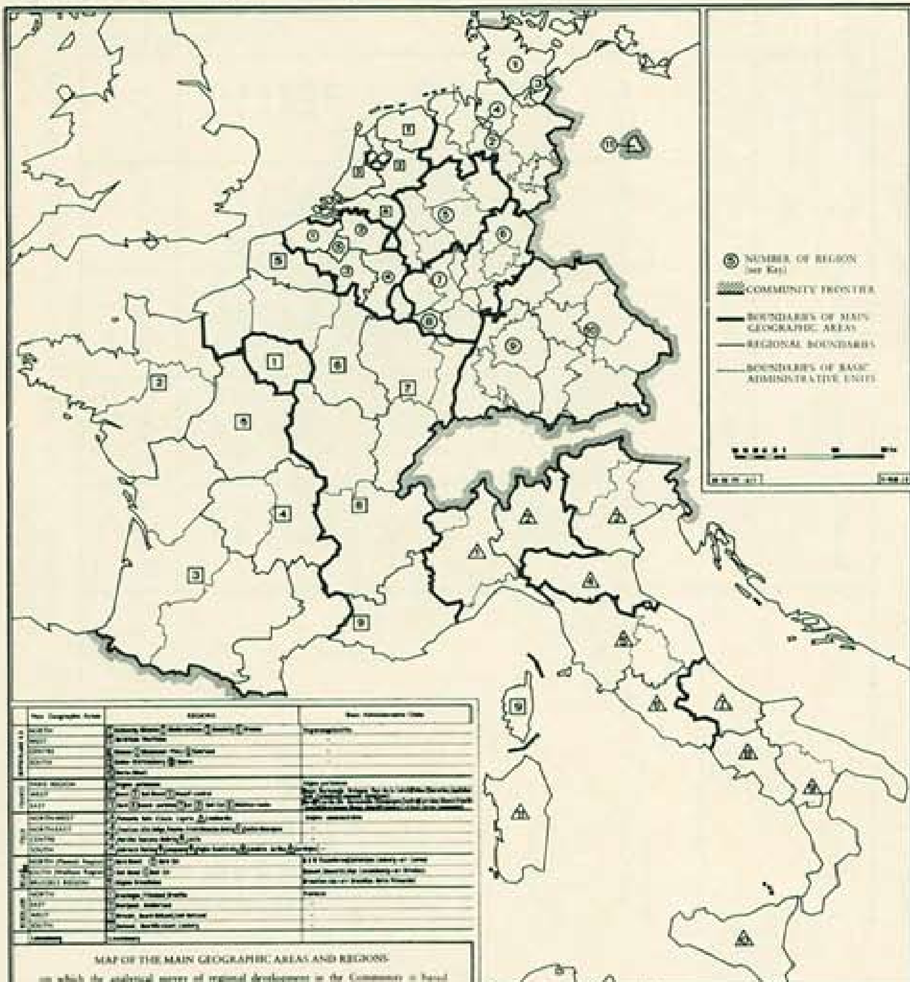
Crotty's work has to be consulted for the detailed argument and assumptions underlying these projections. They are, however, to date the only ones available from any source. As Crotty comments in his study, his model shows that the limited objective of stabilising the 1970 labour force, or the higher objective of increasing it, can be more readily and more certainly achieved outside the EEC, with appropriate adjustments in present policies which are entirely within the competence of a sovereign Government. Only by remaining outside the EEC, however, does the Government retain the power to adopt such policies.

APPENDIX II

The Main Geographic Area of West France includes the Regions West, South-West and Central. Regions West and South-West include the Basic Administrative Units of Basse-Normandie, Bretange, Pays de la Loire, Poitou-Charente, Aquitaine, Mid-Pyrenees, Limousin, Auvergne. The combined population of this Area (Numbers 2, 3, 4, of French Regions shown on map plus the island of Corsica) totals approximately 16,500,000 according to figures from **Journal Officiel de la Republique Francaise,** 31 December, 1968.

The Main Geographic Area of Southern Italy includes the Regions of Abruzzi, Molise, Campania, Puglia, Basilicata, Calabria, Sicilia, Sardegna. These Regions are also the Basic Administrative Units and comprise a total population of approximately 19,400,000 according to the 1969 Italian census. This Main Geographic Area is noted as Italian Regions numbered 7, 8, 9, 10, and 11 on map below.

Source of Maps : **Regional Policy for the Community, 1969.**



MAP OF THE MAIN GEOGRAPHIC AREAS AND REGIONS

ITALY — **Numbers of employed persons**

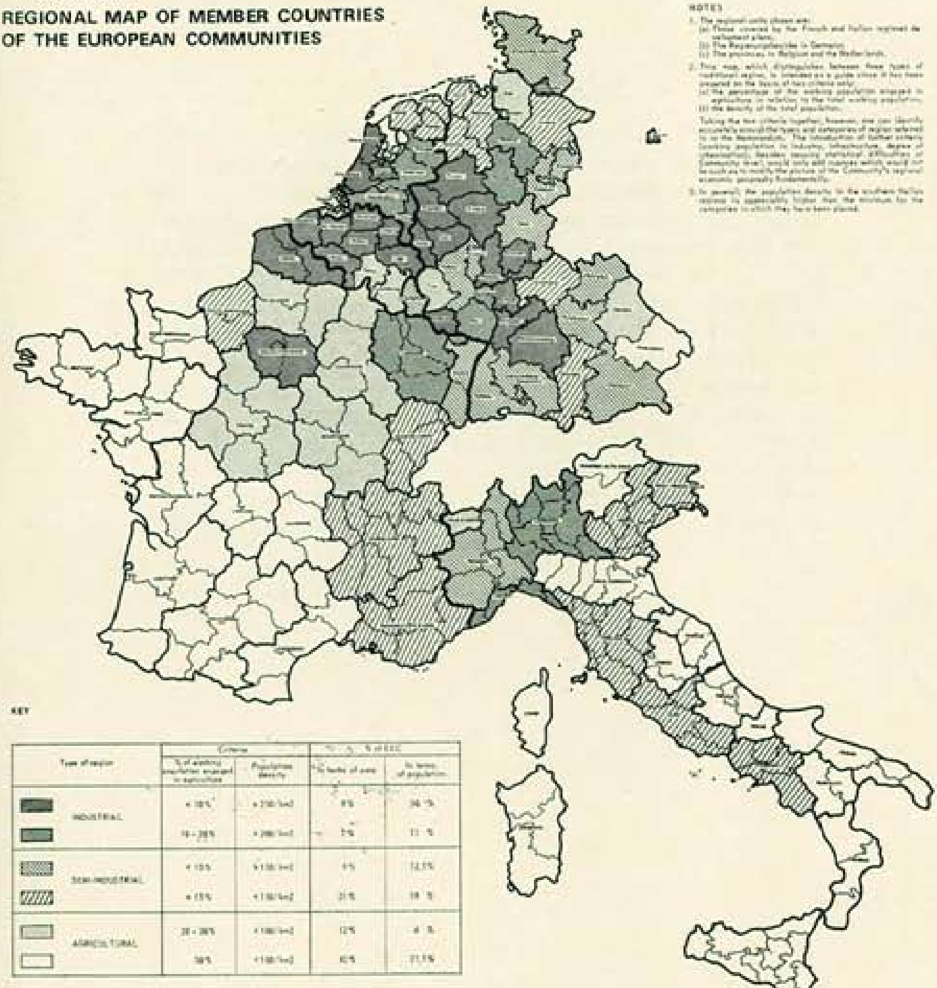
Region	Numbers of employed persons (occupati) ('000)			Average increase (%)				Share of each region in numbers of employed persons (%)		
				1961 and 1951		1965 and 1961				
	1951	1961	1965	Total	Annual	Total	Annual	1951	1961	1965
North-west										
North-west	5 342.9	5 998.1	5 792.9	+ 12.26	+ 1.16	- 3.42	- 0.84	27.13	29.36	29.75
North-east										
North-east	4 048.4	4 077.7	3 919.3	+ 0.72	+ 0.07	- 3.88	-0.95	20.56	19.96	20.13
Centre										
March, Toscana, Umbria	2 397.6	2 410.8	2 229.0	+ 0.55	+ 0.06	- 7.54	- 1.80	12.17	11.80	11.45
Lazio	1 413.0	1 574.9	1 494.5	+ 11.46	+ 1.09	- 5.10	- 1.24	7.18	7.71	7.68
South										
Campania	1 598.4	1 673.7	1 617.0	+ 4.71	+ 0.46	- 3.39	- 0.83	8.12	8.19	8.31
Abruzzi, Molise	709.9	651.0	570.6	- 8.30	- 0.79	- 12.35	- 2.87	3.60	3.29	2.93
Puglia, Basilicata	1 494.5	1 423.8	1 387.2	- 4.73	- 0.45	- 2.57	- 0.63	7.59	6.97	7.13
Calabria	771.6	675.2	643.1	- 12.49	- 1.16	- 4.75	- 1.15	3.92	3.30	3.30
Sicilia	1 465.8	1 486.4	1 390.2	+ 1.41	+ 0.14	- 6.47	- 1.56	7.44	7.28	7.14
Sardegna	450.8	458.8	425.2	+ 1.78	+ 0.18	- 7.32	- 1.75	2.29	2.25	2.18
Italy	19 692.9	20 430.4	19 469.0	+ 3.75	+ 0.37	- 4.71	- 1.14	100	100	100

Source: Commission of the European Communities, A Regional Policy for the Community, 1969 English Translation.

It will be noted that Italy suffered a **decline** in total number of employed persons between the years 1961 and 1965 at the same time the Gross National Product was growing at an above average rate. Of particular interest to Ireland is that the two off-shore regions of Sicilia and Sardegna were extremely hard hit. Both off-shore regions had managed to increase their numbered of employed persons at an annual rate between the years 1951 and 1961. This was turned into an absolute and relative decrease in full Common Market conditions.

Much of the "Italian "economic miricle" has been due to a policy of planned emigration. This is admitted on page 109 of **A Regional Policy for the Community,** Commission of the European Communities, 1969. It states: "It has frequently been stated with regret in recent years that the South has not been catching up, and that only emigration has prevented this lag from increasing (lag here being defined as the percentage differential between average regional and national income per capita). Some have pointed out that in absolute terms this differential has even increased."

REGIONAL MAP OF MEMBER COUNTRIES
OF THE EUROPEAN COMMUNITIES



AN APPRECIATION

THIS is the sixth pamphlet on the Common Market to be published by the Common Market Study Group. If you are impressed by the pamphlet's arguments we would invite you to join the mass-membership, campaigning organisation, The Common Market Defence Campaign, that has been launched by the Common Market Study Group. The Defence Campaign is working towards a 'No' vote in the referendum which will have to be held in April or May. If the people refuse to change the Constitution, as they will be asked to do in the referendum, then Ireland cannot join the E.E.C. and the government will have to negotiate an Association Arrangement or a General Trading Agreement with the Common Market. Please send a minimum subscription of 50 pence to the Joint Secretaries, Common Market Defence Campaign, 24 Belgrave Road, Dublin, 6.

They are going, going, going,
and we cannot bid them stay,
for their fields are now the strangers
where the strangers cattle stray.

- Eithne Carbery