

*Economic Conditions and Policy in Northern Ireland**

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MY brief, as I understand it, is to examine the present economic circumstances of Northern Ireland, particularly within the context of the 1970-75 Development Programme.¹ I propose first to look selectively at some of the main objectives of the programme, then consider the record to date, together with the major emergency measures which have been taken because of the troubles. Next I would like to raise some questions about the appropriateness of the means chosen to encourage economic development. Finally, I wish to ask where do or should we go from here, both as regards goals and means of economic development, in the light of possible new political institutions and within the context of the European Communities.

Main objectives of the development programme 1970-75

The first thing to be said about the Development Programme is that it had few clearly specified objectives. For instance, it did not recommend target growth rates for Gross Domestic Product, industrial output, employment and the like. This, of course, was deliberate policy for I suspect two main reasons. Neither the authors of the Programme nor the then Government believed in detailed planning by objective and even if they did it would have been unrealistic to do so as Northern Ireland never had and does not now have the constitutional and economic powers to implement that kind of planning, even if it were felt to be desirable.

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¹ *Northern Ireland Development Programme, 1970-75: Report of the three Consultants*, Professors Sir Robert Matthew, Thomas Wilson and Jack Parkinson, HMSO, 1970. Also, *Northern Ireland Development Programme, 1970-75*, Government Statement, Cmnd 547.

However, the Consultants did talk in terms of 40,000 *new* jobs in manufacturing industry between 1970-75, though the government stressed that in the context of the troubles this was an aspiration rather than a goal. It was also hoped that employment in the construction industry would increase by about 2 per cent per annum or by around 5,000 over the 5 year period. After the experience of a net expansion of some 13,000 in the service industries between 1964-69 when it had been hoped the expansion might have been closer to 30,000 the expectation for 1970-75 was put at 15,000. The Consultants also talked in terms of some 3,000 men being employed continuously on an urban and rural improvement campaign, whilst the government originally adopted a target of 2,500.

Strong emphasis was placed in the Programme on industrial training both in terms of government training centres and the availability of apprenticeships. It was estimated that to give school-leavers in Northern Ireland the same opportunity for apprenticeships as in Britain it would be necessary to train an additional 300 each year over and above the number being trained at the end of the previous economic plan.

The Consultants stressed the importance of house building on both social and economic grounds and proposed a target of 75,000 houses over the 5 years, with annual completions rising to about 17,000 by 1975. The government target is in fact 73,500 houses, 48,500 in the public sector and 25,000 in the private sector. The importance of slum clearance was also emphasised by the Consultants and the government.

There seems to have been some difference of opinion between the Consultants and the authorities over the roads programme. The original programme envisaged expenditure of £142 million between 1970-75 but following criticisms of both its scale and the very high standard of road construction in the light of prospective traffic it was reduced to £131 million. The Consultants are very forthright in their criticisms and stated, "If more expenditure on roads means less . . . expenditure on other public services, then there is a need for a much more detailed and explicit assessment of priorities". (par. 30, p.158). I shall return to the whole question of priorities later.

The annual average public expenditure including that specifically on the development programme was estimated at £480.6 million in 1969 prices and represented an increase of £74.35 million for the period 1970-75 over and above the previous public expenditure programme.

Record since announcement of development programme

The first thing to consider is job promotion in manufacturing industry bearing in mind, of course, the appalling difficulties of doing this during the troubles. The term "jobs promoted" refers to the number of jobs which it is expected at

TABLE 1: *Number of projects, jobs promoted and total employed in manufacturing industries*

	<i>New Projects</i>				<i>Expansions</i>				<i>Total</i>				<i>Employment in *Manufacturing Industry</i>
	<i>Jobs</i>				<i>Jobs</i>				<i>Jobs</i>				
	<i>No.</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>No.</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Projects</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	
1968	17	2,110	1,135	3,245	26	2,307	1,147	3,454	43	4,417	2,282	6,699	177
1969	10	1,836	655	2,491	24	2,059	1,393	3,452	34	3,895	2,048	5,943	182
1970	13	1,376	726	2,102	44	2,717	1,665	4,382	57	4,093	2,391	6,484	184
1971	14	998	622	1,620	62	4,096	1,549	5,645	76	5,094	2,171	7,265	180
1972	6	475	202	677	42	5,767	420	6,187	47	6,242	622	6,864	177

* In thousands at June of each year, except in 1972 when the figure is for March.

Note: The table excludes jobs promoted by the recently formed Local Enterprise Development Unit (LEDU) which in its first year, 1971-72, promoted some 660 new jobs and a further 800 up to September 1972. Its task is to promote new jobs through small firms employing not more than 50 persons. It is a limited company sponsored by the Ministry of Commerce.

Source: Ministry of Commerce and Digest of Statistics, No. 83, September 1972.

the time of negotiations between the government and the parties involved will be eventually realised at full production. The experience by and large is that in due course the job targets are reached and on occasion even exceeded. It should also be emphasised that the figures are gross figures and do not allow for loss of jobs in manufacturing industry. Thus the gross figures as now published present a one-sided picture. It would be salutary to be presented simultaneously with figures showing loss of jobs in manufacturing industry.

The table does, however, show the estimated number of employees in employment in manufacturing industry. It will be seen that the number employed in March 1972 was 177,000, exactly the same as in June 1968, despite the enormous efforts that have been put into industrial promotion in the years before as well as subsequent to 1968. Indeed, from this point of view—which I hasten to stress is not the only one from which the matter should be considered—the record of *net* additional employment in manufacturing industries in Northern Ireland is a disappointing one. In fact, there has been little or no *net* change in the numbers employed in manufacturing industries in Northern Ireland between 1959 and 1972, which would seem to be reasonably comparable periods as far as industrial activity is concerned. Yet over this period some 55,000 to 60,000 jobs were actually provided as a consequence of government sponsored projects, either new ones or expansion schemes.

It should also be emphasised that in terms of static or declining numbers employed in manufacturing industries Northern Ireland is in no way unique. Over the same 13 years the relative decline in Britain was somewhat greater and other countries have had similar experiences. Interestingly enough, however, until very recently the Irish Republic was an exception with numbers employed in manufacturing industries increasing from about 145,000 in 1959 to 196,000 in 1971.

But again I wish to stress that data such as these require the most careful interpretation and it is only too easy to draw superficial and false inferences from them. Moreover, most of us would probably be happy to see declining numbers employed in manufacturing industry, and presumably industry generally, if it went simultaneously with increased real incomes, full-employment and additional leisure.

But to return to Table 1, the New Projects section of the table is very striking with the marked decline in both number of projects and jobs promoted, the latter showing a fall in each year to a level a little over one-fifth of what it was in 1968. This pattern may not be entirely a direct consequence of the troubles, but it can scarcely be doubted that they have had a major impact on the outcome.

Equally striking, but for different reasons, is the section dealing with expansion of existing enterprises. The number of projects was more than twice as

great in 1971 as in 1968, and from 1969 the number of jobs promoted has grown from just under 3,500 to almost 6,200 in 1972. However, the 1972 figure was greatly influenced by the £35 million Harland and Wolff improvement scheme, which accounts for some 4,200 of the jobs promoted under the expansions category.

The net result of new projects and expansions in terms of jobs promoted for the three calendar years 1970-72 is slightly over 20,000 and thus equal to half the total hoped for over the five fiscal years 1970-75. It is difficult to be confident that at this rate the hopes of the development programme will be realised and that over the next two years some 20,000 jobs can be promoted.

After reaching a peak of 53,600 employed (including self-employed) in the construction industry in June, 1969 the number declined to 52,000 in June, 1970, 50,800 in June, 1971 and to 48,200 in March, 1972. As there is generally a seasonal improvement in this industry the number in employment in June, 1972 was probably much the same as in 1971. Thus whereas the Consultants to the Development Programme had hoped for an average annual trend rate of growth in employment of about 1,000 in this industry, this has not so far materialised and is perhaps now unlikely to be achieved by 1975, though this could be proved wrong if house-building, slum clearance and re-building because of the troubles is accelerated over the next two years or so. However, employment in the construction industry in Britain has had a marked downward trend for years and it seems doubtful if something similar can be resisted indefinitely in Northern Ireland, i.e., amongst other things, productivity increases in the construction industry may permit substantial expansion of output without any growth in numbers employed.

In June, 1970 some 265,200 were in employment in the service industries, 268,300 by June, 1971 and 273,600 by March, 1972. Thus the 15,000 increase expected by the Consultants would seem to be more or less on target. The largest increases occurred in professional and scientific services, and public administration and defence and are mainly a consequence of government expenditure. The numbers involved in distributive trades has declined.

The urban and rural improvement campaign, designed to enhance the physical attractiveness of the urban and rural environment, has been extended; first in terms of Enterprise Young Ulster and now Enterprise Ulster. Some 3,700 men were employed under the urban and rural improvement campaign in September, 1972, 700 in excess of the figure originally suggested by the Consultants, and the target has since been raised to 4,000. The estimated cost for 1972-3 is £6.6 million before allowing for savings on social security benefits that would otherwise have to be paid.

It is intended that Enterprise Ulster should take over the urban and rural improvement campaign. It is to have its own independent organisation but to

be financed by government. In fact, it is to be what is usually called in the Republic of Ireland a semi-state body. The intention is that it should offer continuous employment, particularly to the unskilled and unemployed, on works of social improvement widely spread throughout the community. It is initially to have a life of five years and a budget of £15 million and hopes to provide 1,000 jobs by the end of 1973. My main reservation about Enterprise Ulster and its precursors is that I doubt if they are on a sufficient scale given what may be the social and political cost of persistent unemployment in Northern Ireland.

As far as industrial training is concerned massive efforts have been put into this in recent years. The Department of Labour Affairs of the Ministry of Health and Social Services is now directly responsible for training over 3,000 youths and adults each year and pays a major part of the cost of training an additional 6,000 in industry. Some seven years ago only 16 per cent of boys got an apprenticeship in Northern Ireland, but now the figure is about 40 per cent and much the same as the level in Britain. Thus the aim of parity as recommended by the Consultants is close to achievement.

An aspect of training which deserves special mention is the Counter Redundancy Scheme whereby if a firm experiences what is considered to be a temporary falling off in orders and agrees to use the period of potential redundancy to provide approved alternative training the Ministry is prepared to help financially. In effect, a substantial direct wage subsidy is paid. During 1972 at any one time between 1,500 and 2,000 workers were being re-trained under this scheme.

The Ministry of Commerce has also substantial powers under the Industries Development Assistance Acts which it has used to preserve existing employment where this is at risk because of prevailing commercial and financial conditions and where help is likely to lead to viability. The help may include capital grants, cheap factory rents or a rent grant and contributions to setting up costs. Some 36 projects were helped during 1972 with the number of jobs involved being 6,800.

In addition to this the Ministry of Commerce has given emergency assistance in direct response to damage caused by civil disturbances. This can include partly repayable advances towards the cost of purchasing new plant and machinery, loans towards the purchase of new stock, grants and loans towards the cost of repairing damaged buildings or acquiring new ones as well as other forms of assistance.

Of the 236 manufacturing firms up to December, 1972, directly affected by the disturbances only 10 had closed down and 11 were temporarily out of business. Some 770 jobs had been lost and another 220 were temporarily laid off.

Finally, in May, 1972, the Northern Ireland Finance Corporation with access to funds totalling £50 million was established. It, too, is essentially a semi-state body and has powers to assist any undertaking in Northern Ireland, which might otherwise be forced to reduce or close down its business activities with adverse repercussions on the economy. It may also assist businesses to expand or new ones to become established in Northern Ireland. The assistance may take the form of share subscriptions, loans and loan guarantees, and managerial help. It does not make grants which remain the preserve of government departments. The Corporation looks upon itself as being a kind of merchant bank ready to assist undertakings which have reasonable prospects of long-term viability.

Since it commenced operations the Corporation has acquired 80 per cent of the share capital of the Ben Sherman shirt company, which employs 1,300 people in Londonderry. It has also a 50 per cent holding in Ric-Wil (UK) Ltd., a firm near Hillsborough, which manufactures underground heat systems.

In the light of these and other measures it is perhaps not surprising that employment has been sustained as well as it has been, though an average unemployment rate of some 8.1 per cent for 1972 is not something anyone can be complacent about. It is evident that if it had not been for the massive injections of government funds under the urban and rural improvement campaign, the counter redundancy scheme, emergency and other schemes, including security employment grants, rates rebate scheme, the activities of LEDU, the Northern Ireland Finance Corporation, government orders for Short and Harland Ltd., a £2½ million subscription for 62½ per cent of the equity of International Engineering Ltd.,—a new company formed out of the International Computers plant at Belfast—and the abolition of selective employment tax, as well as the on-going financial aids to industry, unemployment would have been running at much higher levels. However, it remains unfortunately true that no net inroads have been made on the unemployment problem since the start of the period of the Development Programme in 1970. With the troubles this is not surprising but the nagging question remains—because of the difficulty in expanding employment in manufacturing industry—would it have been different if the troubles had not happened? It is impossible to give a conclusive answer to this question and the important thing is instead to ask can we do better in the future. This point is returned to below.

In the first year of the Development Programme 13,147 houses were completed and 13,797 in 1971-2. The figure for the first half of 1972-3 was 5,506, over 1,300 less than in the first half of the previous year. Thus unless activity was and is markedly faster for the second half of the year it is doubtful if the 1970-71 figure will be exceeded this fiscal year. On this basis if the Programme target is to be reached some 34,000 houses would have to be built in the two

years 1973-5. This is a very formidable task when seen in conjunction with the problems of slum clearance, which in itself is a costly and slower business than ordinary house-building.

The roads programme was behind schedule in 1970-71 and seems also to have been in 1971-2, mainly because of delays in land acquisition. However, the outturn for total public expenditure on roads in 1970-71 was £24 million, the provisional outturn for 1971-2 was £26.3 million and the estimate for 1972-3, £27.7 million in 1972 prices (Cmind. 5178). With the increase in prices since the Consultants' Report this would seem to be slightly less expenditure in real terms than they had recommended for the reduced programme.

The total public expenditure picture, covering central government, local authorities and public corporations, for recent years and up to 1970-75, reported in the latest White Paper, is shown in Table 2. If it is assumed that 1972 prices were about 20 per cent above those of 1969, which would seem to be about the right order, then the estimated average public expenditure of £480.6 million in 1969 prices over the Development Programme becomes some £577 million in 1972 prices. But the average of the figures in Table 2 is approximately £647 million, an average increase of some £70 million a year. Thus in expenditure terms, public expenditure, inclusive of the development programme, has been substantially expanded since the original government statement on the programme in June, 1970.

The data in Table 2 deserve most careful study. Particularly interesting are the increases in expenditure between 1971-2 and 1972-3 on trade, industry and employment of £26.5 million, law and order of £20.4 million and almost £19 million on health etc. and social security. The total increase between the two years at £90 million was almost 15 per cent greater than in 1971-2. With figures of this magnitude in the Northern Ireland context it ceases to be surprising that the economy has held up so well in the last year and indeed in the one before as well. It should also be mentioned that these expenditure figures do *not* include public expenditure in Northern Ireland carried in the estimates of the United Kingdom government departments, the most important of which are agricultural support and army and defence costs.

Total public expenditure of Northern Ireland departments would now seem to be running at over 60 per cent of GDP; though this is not to say that all of the expenditure constitutes a demand for goods and services. The corresponding figure for Britain would be nearer 50 per cent, though such comparisons are far from being straightforward and need careful qualification. Thus government expenditure plays a crucial and dominating role in the economy of Northern Ireland. Northern Ireland could not hope to finance this scale of expenditure out of its own taxation resources or through unaided borrowing. For 1972-3 total

TABLE 2: *Public Expenditure in Northern Ireland**

Category	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Agriculture, fish and forest	12	13	14	15.0	16.7	17.1	15.9
Trade, industry and employment	59	74	80	86.7	113.2	108.5	103.2
Fuel	17	18	20	25.6	27.0	23.6	32.6
Roads	24	27	24	26.3	27.7	29.5	29.6
Surface Transport	5	4	4	6.0	8.3	6.9	5.8
Housing	45	39	47	50.9	56.8	61.8	66.4
Miscellaneous local services	20	22	25	30.5	34.4	34.7	33.0
Law and order	16	19	23	29.6	50.0	39.3	33.4
Arts	—	1	1	0.9	1.0	1.0	1.0
Education and libraries	78	83	85	95.0	102.1	108.7	110.9
Health and personal social services	73	73	78	79.8	88.7	91.8	91.5
Social security	119	127	129	139.4	149.0	152.1	154.9
Financial administration	2	2	3	3.1	3.2	3.4	3.5
Common services	3	4	4	4.9	5.8	7.0	6.1
Miscellaneous services	7	6	7	10.2	10.5	11.9	9.5
Total	480	512	544	603.9	694.4	697.3	697.3

*The figures for the first three fiscal years are outturns, provisional outturn for 1971-72 and estimates for remaining three years.

Source: *Public Expenditure to 1976-77*, Cmnd. 5178, HMSO.

payments from the rest of the United Kingdom to Northern Ireland, exclusive of army and defence costs peculiar to here and leaving aside borrowing from the Treasury, would seem to be of the order of £220 million—about £150 per head of the population.² It is true that the £220 million is not simply an income transfer as it includes production and other subsidies which may be of some benefit to the rest of the United Kingdom, but by far the greater part of it should probably be interpreted as an income gift. It is, I believe, to be doubted if it is sound either economically or politically to be so dependent on British largesse.

² This figure is made up of £133 million referred to in the White Paper, *Northern Ireland: Financial Arrangements and Legislation*, (Cmnd. 4998), £60 million estimated as the amount payable under the Northern Ireland (Financial Provisions) Act, 1972, some £5 million under milk subsidy arrangements and an estimated over-allocation of revenue to Northern Ireland of £19 million, making a total of some £217 million.

As far as I know there are no up-to-date figures for the overall growth of the Northern Ireland economy. Between 1965 and 1970 GDP grew at an annual rate of 4.3 per cent, substantially faster than the rest of the United Kingdom, whilst industrial production over the six years 1965-71 grew at just under 5 per cent. Industrial production in 1972 seems to have been relatively static and will need to have recovered sharply in the fourth quarter to reach the level of 1971. In 1972 for the first time for many years industrial production may not have risen and as far as the future is concerned there is evidence of a fall off in applications for investment grants and postponement of replacement investment.

To sum up: Many of the more specific but tentative goals of the Development Programme have not been reached. In the circumstances of widespread and bloody civil disturbances this is hardly surprising. On the face of it what is surprising is the overall performance of the economy in spite of the disturbances. The basic economic reason for this is the massive injections of government funds and the initiative and flexibility shown in their use, especially the many imaginative measures adopted by the Ministries of Commerce and Health and Social Services. However, it is hard to believe that the British government and people will be prepared to support over an extended period the Northern Ireland economy on anything like the present scale, even if allowance is made for the additional cost of the troubles and, in due course, some reduction in agricultural subsidies and the like through membership of the European Community. The people of Northern Ireland have to an astonishing extent been insulated from the economic consequences of the troubles. It is to be hoped that this has in no way prevented them from coming to terms with the economic and other realities of their position.

The means of economic development

For many years, the main emphasis in the encouragement of economic development in Northern Ireland has been on the subsidisation of new capital, whether new projects or expansion of existing ones. It is true that in recent years the emphasis is somewhat less marked because of the increased assistance given to the various forms of industrial training, grants towards setting-up costs, the relating of assistance under the Industrial Development Acts to projected male employment figures and the general subsidisation of manufacturing employment through the regional employment premium—the latter now worth some £11 million a year. Nevertheless the bulk of financial aid would still seem to be directed towards capital subsidisation.

At the risk of serious oversimplification the argument in favour of the subsidisation of new capital is that it stimulates additional investment, encourages a faster rate of growth of output and, it is hoped, an expansion or increase in

demand for labour. It is not my purpose to deny that these things may happen but I am not so confident that each of them must necessarily happen.

For instance, it is likely that subsidies to new capital raise labour productivity, thereby increasing competition with older capital already in the industry or in industries producing substitute products, and lead to increased wages for those that are employed. What will be the net outcome? Will "older" capital be driven out of the industry and competing industries more quickly than would otherwise have taken place? May there be a decline in overall employment despite perhaps an overall faster rate of growth of output and higher wages for those remaining employed? These possibilities whilst not by any means inevitable are, I think, not so implausible that they can be dismissed out of hand and especially in an economy experiencing persistent and heavy unemployment and with declining industries.

If the foregoing has any merit then it might suggest that if we employ capital subsidies to attract new industry we should perhaps be careful about doing so if it markedly increases competition with existing industry. Has this happened, for example, in the case of textiles? I myself do not feel qualified to answer this question. Is it happening with new capital expenditure on hotels? This seems to me to be quite likely though it is arguable that "new" or modernised hotels cater for a different or even new demand to older ones. But even here there might be competition for staff.

But let me return to textiles briefly. Northern Ireland is renowned for its man-made fibre industry with its array of internationally known names, British Enkalon, Courtaulds, DuPont, Hoechst, ICI and Monsanto. The production of man-made fibres is not singled out in the Census of Production Reports but is included in a miscellaneous textiles group which altogether had 11 establishments in 1968. Now it is dangerous to generalise or infer too much on the basis of two years, but bearing this in mind it is, to say the least, interesting that whilst in 1968 linen accounted for only some 34 per cent of output and 14 per cent of net capital expenditure it provided 61 per cent of employment in the textile industry. In contrast, miscellaneous textiles, of which man-made fibres must be the major component, account for some 51 per cent of output, 76 per cent of net capital expenditure and only 18 per cent of employment. In fact, the total number employed in miscellaneous textiles was 7,473.

I have no way of knowing the amount of capital employed in miscellaneous textiles but would suspect that in 1968 it may have been of the order of £100 million to £120 million or even more; and today in current prices, together with new investment since 1968, may well be between £150 million and £200 million. If the latter figures are at all near the mark and assuming little change in employment since 1968 it means that capital employed in relation to each

TABLE 3: Selected Statistics on Textile Industry

	<i>Linen</i>					<i>Miscellaneous Textiles</i>						
	<i>Net Output</i>	<i>Per cent of Total</i>	<i>Employment</i>	<i>Per cent of Total</i>	<i>Net Capital Expenditure</i>	<i>Per cent of Total</i>	<i>Net Output</i>	<i>Per cent of Total</i>	<i>Employment</i>	<i>Per cent of Total</i>	<i>Net Capital Expenditure</i>	<i>Per cent of Total</i>
1963	22,096	59.7	33,884	75.1	1,456	24.4	8,485	22.9	4,810	10.6	3,636	61.0
1968	23,380	33.7	25,157	60.6	2,517	13.7	35,359	50.9	7,473	18.0	14,006	76.3

Note: All money figures are in £'000 and per cent of total refers to per cent of total for the industry.

Source: *Report on the Census of Production of Northern Ireland, 1968, Vol. 3.* HMSO.

man employed is between £20,000 and £25,000. A substantial proportion of this—perhaps 35 per cent or more—will have been provided by the Northern Ireland government, say £7,000 to £8,000 for each man employed. Whilst miscellaneous textiles and man-made fibres in particular have evidently contributed substantially to the growth of output of the textile industry the question seems to me to arise has the return in terms of net employment given value for money to the Northern Ireland economy? Could the money have been better utilised in terms of achieving a higher level of sustained employment, even if this might have meant a slower overall rate of growth of output? I cannot give a definite answer to these questions but it comes as something of a shock to realise that in generating employment through LEDU government outlay per man employed is under £1,000, perhaps one-seventh or even one-eighth the amount required in the miscellaneous textiles group.

Future economic development

In the preceding discussion reference has been made to the question of priorities in public expenditure projects and the problem of assessing the appropriateness of certain means employed to stimulate economic development. Both questions are closely related and seem to hinge on the difficult task of trying to determine not just the economic return to expenditure but also the more inclusive "social" return and how this might be measured. To raise these questions is to move implicitly into the realm of welfare economics and to beg many intractable questions about what is or may be meant by social welfare. I am not a specialist in this field and what follows is in no sense a rigorous discussion of the issues involved and must be presumed to be highly tentative and subject to criticism on theoretical and other grounds.

There is, I believe, no simple way of measuring social welfare and even a difficulty in defining what it means. However, it seems plausible to suppose that the output and distribution of goods and services in a community such as ours are of basic importance to social welfare. Furthermore, it would seem that for most people the opportunity to work is fundamental to their sense of personal dignity and social significance, quite apart from the benefits of the income earned from work. Alternatively, involuntary unemployment is a form of exclusion from active participation in a major aspect of the life of society. No doubt many other factors enter into or affect social welfare such as personal and social relationships and the trust and confidence people have in political and judicial processes, to name but some. Furthermore, social welfare is clearly constrained by the production conditions, knowledge and such-like available to society.

To attempt to describe social welfare as I have just done is, of course, to beg many questions. How can one or should one determine whether a particular

distribution of income and wealth is better than another from the point of view of increasing social welfare? If a higher level of employment can only be achieved or sustained by accepting a slower rate of growth of output how does one determine which combination of output and employment is socially best? As far as I know there are no scientific answers to these questions and the best that can be done is to make judgments based on the best knowledge obtainable, about the complex of issues involved. Such judgments are clearly highly fallible and yet they must be and are made either explicitly or implicitly or more likely are made by a mixture of both.

But to return to the specific. Of the financial resources available to the Northern Ireland government what proportion should be employed on house building and slum clearance and what on roads? Would social welfare be increased or decreased if £5 million a year over the next five years was withdrawn from the roads programme and used in housing? As a first approximation to answering these questions an attempt might be made to determine the effects over time of these two alternative forms of expenditure on output or income and its distribution; and on employment. With information such as this available a more reasoned choice should be possible between the two forms of expenditure.

As far as the means or instruments of economic development are concerned they too should presumably be judged in terms of their ability to help to realise those goals, such as the growth and distribution of income, the effects on employment and other possible effects previously mentioned. On the basis of these criteria it seems that the emphasis generally placed on capital subsidies as an aid to economic development may well be suspect. This is not in any way to deny the stimulus that capital subsidies may in favourable circumstances give to growth of output. However, the effects on income distribution and employment clearly require the most careful examination. On the face of it capital subsidies would seem to bias the distribution of income in favour of capital and, as argued earlier, may not have much stimulatory effect on employment. If this is true then capital subsidisation—or, at any rate, large scale subsidisation—may not be the most desirable means to encourage economic development. But to say this begs the question what means are or might be desirable.

For instance, in an attempt to sustain employment in the less well off regions the regional employment premium has been tried in the United Kingdom, including Northern Ireland. It has been estimated that 2,000 jobs would be lost in Northern Ireland if the premium were withdrawn and no offsetting action taken.³ As mentioned previously the annual cost of the premium in Northern

3. Study conducted by Department of Applied Economics, Cambridge and reported in *Belfast Telegraph*, 8th January, 1973.

Ireland is around £11 million per year or some £5,500 per man for each additional man employed, if the figure of 2,000 jobs may be accepted. Since the £11 million is paid *every year*, to preserve these 2,000 jobs it seems highly expensive, even if allowance is made for extra output produced, and generally a questionable use of funds in terms of the goals discussed above. In other words it should be possible to achieve a larger social return from the expenditure of such an amount in some other way.

One way which has been tried in the Irish Republic with apparent success is tax rebates on profits. In principle, this could be a highly flexible instrument with varying levels of rebate within and between regions, depending on their comparative economic circumstances. Such rebates might be expected to stimulate expansion of output and probably have the merit of not discriminating to the same extent as capital subsidies in favour of capital intensive methods of production and thereby have perhaps a relatively more expansionary effect on employment. However, tax rebates would presumably bias income distribution towards capital. Furthermore, the United Kingdom Treasury and the European Community might not look favourably on tax rebates on profits as an instrument of regional development. Whatever the merit of these latter reasons there can be little doubt on broad social grounds that it is essential to find powerful means of stimulating regional economic development.

The foregoing, however, in no sense exhausts the possibilities and has, for instance, paid no attention to other institutional forms such as state enterprises or worker controlled firms as a basis for economic development. Neither of these can or should be dismissed out of hand and deserve careful analysis of their feasibility in terms of social goals.

There are, of course, many other aspects of economic policy in Northern Ireland which should concern us at the present time. For example, assuming we get some form of Assembly and Executive and possibly a Council of Ireland, what sort of economic powers should they have and how should they be exercised? Should Northern Ireland seek more flexibility on the taxation side than it has hitherto had? If it did what would be the consequences for the "parity" relationship? That is, that parity of taxation with the rest of the United Kingdom implies parity of services even if Northern Ireland revenue is insufficient to cover the cost of those services. Should a Council of Ireland have specific responsibilities in relation to economic development in cross-border areas? Might it have an Economic Commission attached to it for taking and, subject to the Council, implementing initiatives in such matters? Might a Council of Ireland have some general oversight in relation to monetary and credit policy on an all-Ireland basis? My own view is that Northern Ireland should, subject to qualifications, press for additional economic powers for its new form of government and also be prepared to see important economic initiatives being

taken by a Council of Ireland? On the whole, I believe, Northern Ireland has benefited from the limited economic flexibility that it has been able to exercise within the framework of the Government of Ireland Act.

Finally, to return to the question of unemployment. There can, I think, be little doubt that sustained unemployment and the sense of job insecurity of even those who are employed have contributed to sectarian conflict in Northern Ireland. If this is correct then the social cost of unemployment has surely been mammoth and must justify a radical approach to its amelioration and preferably elimination.

It may be that the time has come to budget explicitly for full-employment and that the government in formulating its economic policy should provide regular projections of the employment position and be ready to implement schemes prepared in advance to give employment if slack begins to appear. There would, of course, be great difficulties in implementing such a proposal for all workers with the great variety of skills and locations involved. It might be necessary in practice to concentrate on the largest groups experiencing unemployment, generally believed to be the unskilled and semi-skilled. This would seem to be what Ulster Enterprise and similar schemes is intended to do though it does not seem to have been given the direct responsibility and powers to achieve full-employment for these particular groups. It is hard not to feel that the £11 million now spent on the regional employment premium would be much more beneficial if used in this way both in terms of employment generated and possibly also output, than as a direct wage subsidy to all manufacturing industry. The suggestions just made are not intended as an alternative to general fiscal and monetary measures, or suitable industrial aid and training policies, but rather as an addition to them.

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