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by

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CONTENTS

	Page
SUMMARY	5
FORECAST NATIONAL ACCOUNTS	6
COMMENTARY:	
The International Economy	
General	8
The US Economy	8
European Community	10
Conclusion	11
The Domestic Economy	
General	11
Exports	12
Stocks	13
Fixed Investment	14
Consumption	15
Agricultural Incomes	15
Private Sector Wages and Salaries	15
Public Sector Pay	16
Other Incomes	17
Transfer Income	17
Disposable Income	18
Industrial Output	18
Employment	19
Consumer Prices	19
Imports	20
Balance of Payments	21
Public Finances	21
Policy Implications	23
STATISTICAL APPENDIX	27

SUMMARY

On the back of a massive export boom, Gross Domestic Product is thought to have risen by almost 4 per cent in 1984, which is well above the European average. The increase in interest payments on the external debt and the repatriation of higher profits by overseas companies have offset part of this improvement, so that the growth rate in Gross National Product is likely to have been about $2\frac{1}{2}$ per cent. Although even this compares favourably with Irish growth in recent years and is marginally above the E.E.C. average for 1984, it is not sufficient to have prevented some further fall in the average employment level.

Although the debt burden, exacerbated by high international interest rates and the continued strength of the dollar, prevented any dramatic recovery, some progress has been made with regard to most key economic aims. The rate of increase in unemployment has slowed markedly, in part perhaps due to slightly higher emigration but mainly due to a virtual stabilisation of employment in the course of the year. Consumer price inflation has fallen by $1\frac{3}{4}$ per cent in spite of high import prices and seems to be established on a falling trend. The balance of payments has improved significantly, even in nominal terms, and both the budget deficit and the exchequer borrowing requirement have been reduced as a proportion of Gross National Product.

How far this modest progress can be maintained in 1985 depends in large part on the evolution of the world economy. At present this is surrounded by considerable uncertainty, especially regarding the content and effects of economic policy in the USA and Europe. On the assumption that there will be some slowdown, but no recession, in world output and trade, and that there will be a corresponding fall in international interest rates, Ireland could face only a slightly less favourable external environment in 1985.

In these circumstances, and on a continuation of the present economic strategy as adumbrated in "Building on Reality", it seems likely that the Irish economy will grow by about $2\frac{1}{4}$ per cent in 1985, marginaly below the 1984 rate. However, because of a more balanced mix of expenditure and because of the later stage of the industrial recovery, such growth could have a greater employment content. A small increase in the number at work is therefore forecast, but not enough to prevent a further slow rise in unemployment. Consumer prices are forecast to rise by 6 per cent on average, implying an end-year inflation rate of 6 per cent also. The balance of payments is projected to remain constant at 4.7 per cent of GNP, but the budget deficit and the borrowing requirement could each show a marginal improvement as a proportion of GNP.

Even this somewhat unexciting prospect is dependent on the central strategy of the plan being successfully applied in 1985. This is for wages and salaries in the public service to increase by less than inflation, while average private sector pay rises marginally exceed the inflation rate. Such a process of real pay cuts in the public service appears to be the only alternative to severe cuts in the level of services provided, which would not only increase unemployment but would damage those who use the services themselves.

FORECAST NATIONAL ACCOUNTS 1984

A: Expenditure on Gross National Product

	1983	1984	Change in 1984 £m		Change in 1984 %		
	Prelim. £m	Forecast £m	Total	Volume	Total	Price	Volume
Private Consumer Expenditure ...	8536	9390	854	108	10	8¾	1¼
Public Net Current Expenditure ...	2912	3147	235	−14	8	8½	−½
Gross Domestic Fixed Capital Formation	3299	3514	215	−66	6½	8¾	−2
Exports of Goods and Services (X) ...	7719	9630	1911	1100	24¾	9	14¼
Physical Changes in Stocks	85	50	−35	−28			
Final Demand	22551	25731	3180	1100	14	8¾	5
less:							
Imports of Goods and Services (M) ...	8074	9562	1488	548	18½	11	6¾
GDP at market prices	14477	16169	1692	552	11¾	7¾	3¾
less:							
Net Factor Payments (F)	1176	1546	370	234	31½	9½	20
GNP at market prices	13301	14623	1322	318	10	7¼	2½

B: Gross National Product by Origin

	1983	1984		
	Prelim. £m	Forecast £m	Change in 1984 £m	Change in 1984 %
Agriculture, Forestry, Fishing ...	1222	1332	110	9
Non-Agricultural: Wages etc. ...	7899	8588	689	8¾
Other	2212	2699	487	22
less:				
Net Factor Payments	1176	1546	370	31½
National Income	10157	11073	916	9
Depreciation	1320	1480	160	12
GNP at factor cost	11477	12553	1076	9½
Taxes less subsidies	1824	2070	246	13½
GNP at market prices	13301	14623	1322	10

C: Balance of Payments on Current Account

	1983	1984	
	Prelim. £m	Forecast £m	Change in 1984 £m
X−M	−355	68	+423
F	−1176	−1546	−370
Net Transfers	668	795	+127
Balance on Current Account ...	−863	−683	+180

FORECAST NATIONAL ACCOUNTS 1985
A: Expenditure on Gross National Product

	1984	1985	Change in 1985 £m		Change in 1985 %		
	Forecast £m	Forecast £m	Total	Volume	Total	Price	Volume
Private Consumer Expenditure ...	9390	10215	825	211	8¾	6¼	2¼
Public Net Current Expenditure ...	3147	3320	173	−16	5½	6½	−½
Gross Domestic Fixed Capital Formation	3514	3823	309	77	8¾	6½	2¼
Exports of Goods and Services (X) ...	9630	11162	1532	954	16	5½	10
Physical Changes in Stocks	50	55	5	4			
Final Demand	25731	28575	2844	1230	11	6	4¾
less:							
Imports of Goods and Services (M) ...	9562	10947	1385	742	14½	6¼	7¾
GDP at market prices	16169	17628	1459	488	9	5¾	3
less:							
Net Factor Payments (F)	1546	1816	270	166	17½	6	10¾
GNP at market prices	14623	15812	1189	322	8¼	5¾	2¼

B: Gross National Product by Origin

	1984	1985	Change in 1985	
	Forecast £m	Forecast £m	£m	%
Agriculture, Forestry, Fishing ...	1332	1385	53	4
Non-Agricultural: Wages etc. ...	8588	9224	636	7½
Other	2699	3090	391	14½
less:				
Net Factor Payments	1546	1816	270	17½
National Income	11073	11883	810	7¼
Depreciation	1480	1642	162	11
GNP at factor cost	12553	13525	972	7¾
Taxes less subsidies	2070	2287	217	10½
GNP at market prices	14623	15812	1189	8¼

C: Balance of Payments on Current Account

	1984	1985	
	Forecast £m	Forecast £m	Change in 1985 £m
X−M	68	215	+147
F	−1546	−1816	−270
Net Transfers	795	874	+79
Balance on Current Account ...	−683	−727	−44

COMMENTARY

The International Economy

General

As 1984 draws to a close, it is apparent that by the standards of the recent past it has been a relatively buoyant year for the advanced economies of the world. Real Gross Domestic Product has risen by about 6½ per cent in the USA, 5 per cent in Japan and over two per cent in the EEC as a whole. The volume of world trade is thought to have increased by at least 8 per cent, over half of which is accounted for by rising imports by the USA. Although some commodity prices have risen in response to higher demand, there has not been the surge in primary goods prices which has accompanied most previous upturns in world trade. Wage settlements in major countries have remained moderate, and consumer price inflation has slackened to about 5 per cent for OECD countries as a whole.

While 1984 has thus conformed to the more optimistic forecasts of the international economy, the prospects for 1985 are becoming increasingly uncertain. Against a background of severe unemployment and high real interest rates, the two major unresolved questions concern the severity of the expected slowdown in US growth, and the ability of the European economies to sustain a reasonable growth rate if exports to the U.S. increase less rapidly.

The US Economy

It is only honest to confess that many aspects of American economic performance over the last year or two have puzzled most commentators. In particular the strength of the upturn in the first half of 1984, against a background of extremely high real interest rates and an unfavourable exchange rate, is difficult to explain. Of course the old-fashioned "Keynesian" stimulus of a high and rising budget deficit is partly responsible, but most analysts would have expected the tight monetary policies being followed to have had a greater offsetting effect on investment and stockbuilding.

This uncertainty in interpreting past trends inevitably reduces confidence in predictions of developments in 1985. At the present time it is not clear how post-election economic policies will evolve, but the most likely outcome is that there will be some convergence between fiscal and monetary policy. The current budget deficit, which will probably exceed $200 billion in 1984, is unlikely to be reduced sharply in 1985, but measures may well be taken to hold it in check with a view to reducing it significantly in future years. At the same time it is expected that monetary policy will become somewhat less tight, with an active aim of reducing real interest rates to stimulate private sector economic activity.

There is evidence that this shift in monetary policy is already taking place in response to the relatively slack performance of the economy in the 3rd quarter of 1984, when preliminary estimates showed GDP growing at an annual rate of under 2 per cent. With recent statistics showing that money supply is running close to the lower end of its target range there would appear to be room for some further relaxation of monetary policy. How far this can go during 1985, and thus how far US interest rates are likely to decline, depends on whether the rise in government borrowing is checked, whether the private sector recovers from its late 1984 slow-down, and whether any evidence emerges of prices starting to rise again.

Taking a reasonably optimistic view of these uncertainties, it seems possible to predict that growth will stabilise at a rate of between 2 and 3 per cent through 1985, giving a year on year increase of about 3½ per cent, that prices will continue to rise by only 4½ to 5 per cent and that prime interest rates will fall into single figures early in the year and remain on a gradual downward trend. However it must be stressed that such a prediction is very tentative and that an actual fall in GDP in the course of 1985 cannot entirely be ruled out.

If the projection of steady but moderate growth in the USA proves correct, then it seems probable that US imports will continue to rise, albeit more slowly than in 1984. The level of imports will depend both on the the strength of American aggregate demand and on movements in the exchange rate. Over the past two years the dominant influences on the dollar exchange rate have clearly been the interest differential and international confidence in the overall performance of the American economy. These have quite outweighed the weak trading position of US industry, and have permitted the dollar to continue rising in the face of a growing balance of payments deficit, which seems likely to be in the region of $120 billion in 1984.

The evolution of the exchange rate in 1985 will presumably continue to depend largely on these two factors. International sentiment is essentially unpredictable, and little more can be done than to assume it remains virtually unchanged, so that movements in the dollar will primarily reflect the interest differential. In this case the dollar exchange rate will be heavily influenced by the collective decisions of monetary authorities in other countries. To the extent that they use the likelihood of falling US interest rates to reduce their own, then the differential will remain and the dollar is likely to stay high. To the extent that they maintain their interest rates then the differential will narrow and the value of the dollar could fall significantly.

European Community

While the U.S. recovery in 1983 and 1984 has been very strong, with unemployment falling sharply and real GDP rising by 6½ per cent in 1984, the recovery in the EEC has been modest and patchy. The latest forecasts from the EEC Commission suggest that the increase in real GDP in 1984 will be 2.2 per cent for the EEC as a whole, with a range from 1.4 per cent in France to 3.8 per cent in Denmark.

This general growth rate has not been sufficient to prevent unemployment in the Community from rising further, although at a slower rate than in 1982 and 1983. Average EEC unemployment for 1984 is thought to have averaged

TABLE 1: Short-term International Outlook

Country	GNP/GDP % Change		Consumer Prices % Change		Hourly Earnings % Change		Unemployment Rate		Budget Deficit as % of GNP/GDP		Current Account Balance as % of GNP/GDP	
	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985
United States	6½	3¼	4½	5¾	5	5¾	7¼	7	3¼	3¼	−2½	−2½
Canada	4	2	4½	5½	4¾	5¼	11¼	11	5½	4½	½	¼
Japan	5	4¼	2	2½	4¾	5¼	2½	2½	3	2	2½	2½
West Germany	2½	2½	2¼	2¼	4¼	4½	8½	8½	1½	¾	¾	1½
France	1½	1¾	7½	5¾	7½	5¾	10¾	12½	3½	3	−1¼	−¾
UK	2½	3	5	5½	8¼	8	11½	11¾	3	2¾	¼	¼
Italy	3	2¼	10¼	7	11½	8¼	12½	13	12½	13	−½	0
Belgium	1½	1	6½	5½	4½	4½	14½	14¾	10¼	10¼	−½	1½
Denmark	3¾	3	6	4¼	5	4	10	10	6	5	−2¾	−2
Netherlands	2	1¾	3¼	2¼	1¼	1½	14¾	14¾	6	5¼	3¾	4
Sweden	3¼	2½	6½	5½	8½	7½	3	3	3½	3¼	½	1½
Total (OECD)	4¾	3¼	5	5	6	6	8¼	8½	3½	3½	−½	−½
Ireland	2½	2¼	9	7	9	7	16¼	16½	7½*	7 *	−4¾	−4¾

Sources: OECD *Economic Outlook*, July 1984, Commission of the European Communities *Annual Economic Report 1984/85*, Oct. 84, NIESR *National Institute Economic Review* August 1984, London Business School, *Economic Outlook* Oct. 84.

*Current Budget Deficit; not comparable with OECD estimates for other countries, which are based on the wider definition of general government financial balances. The Irish exhequer borrowing requirement, on a yet wider definition, is forecast at 13 per cent in 1984 and 12 per cent in 1985.

11 per cent of the labour force. Despite rising material prices due to the rise in the dollar, inflation has fallen, with the average GDP deflator likely to be under 5 per cent, and consumer prices rising by only just over 5 per cent. Government finances have improved slightly, while the external balance of payments of the EEC as a whole has remained almost exactly in balance.

For those remaining in employment, real wages have risen by almost 1 per cent encouraging a modest increase in the volume of consumption. Exports have proved the main stimulus to growth, but investment, particularly in industry, has been increasing strongly in most countries. This increase in private investment, in spite of high interest rates and of heavy unemployment following a period of industrial stagnation, suggest that earlier estimates of the degree of industrial overcapacity may have been exaggerated, presumably because the rate of scrapping and obsolescence among plants which ceased to operate during the recession was higher than anticipated.

With regard to 1985, EEC prospects are governed in part by the evolution of the American economy and in part by the policy decisions to be taken by member governments. On the assumptions of a slowdown, but no fall, in US activity and a continuation of present policies, the Commission's forecast for a 2.3 per cent increase in real GDP seems reasonable. This would be only marginally higher than in 1984, but would be based rather less on exports and rather more on domestic demand than in 1984. Such a growth rate would not be compatible with preventing a further rise in EEC unemployment, although employment itself could rise fractionally. Inflation seems likely to remain low, with a further convergence between the rates in the different countries.

In these circumstances the Commission has unusually made a call, among other measures to improve European competitiveness, for those countries in a relatively strong financial position to adopt less restrictive fiscal and monetary policies, with a view to raising the growth rate for the Community as a whole. Whether this recommendation will receive a positive response, especially from West Germany and the UK which are the countries best placed to encourage faster growth, seems very doubtful. Policy in all countries seems likely to remain devoted, from necessity or choice, to reducing current budget deficits and the public borrowing requirement. So far as growth is a positive policy aim, it seems likely to be encouraged through private sector investment. This suggests that European interests rates are likely to be reduced so far as is compatible with maintaining reasonable control over the money supply, which suggests in turn that any fall in the value of the dollar in response to declining US interest rates is likely to be quite limited.

Conclusion

Table 1 sets out the main economic aggregates for the major industrial countries in 1984 and 1985. As outlined earlier, the 1985 projection is heavily dependent on the rather tentative assumption that the US economy will slow down rather than go into decline. If the picture painted in the table is correct, then world trade is likely to grow by about 5½ per cent in volume in 1985, significantly less than in 1984.

However, although the context for Irish exports may be rather less favourable than in 1984, there are other aspects of the projection which are quite beneficial. For a debtor nation a fall in international interest rates is obviously helpful, especially if reninforced by a small but perceptible fall in the value of the currency in which much of the debt is denominated. Import prices are likely to rise only slightly, thus easing external inflationary pressures. Finally, although the climate for exports might be less favourable, the climate for international industrial investment could improve as more capacity limits are reached and as falling interest rates increase the attraction of building new plants. If the dollar does remain high, there could be a substantial incentive for US companies to invest in more cost-competitive economies.

The Domestic Economy

General

The above brief review of the international situation not only sets the context within which projections of Irish economic performance must be made. It also serves to illustrate how closely recent Irish economic developments conform to the general pattern within the EEC. A recovery beginning during 1983 and continuing during 1984, a moderate rate of growth based on a strong industrial export performance but with weak domestic demand, unemployment continuing to rise but at a much slower rate, a reduction in inflation, and slight improvements, as a proportion of GNP, in both the balance of payments and current budget deficits; these are all features shared by the Irish economy and that of the EEC as a whole.

Similarly, the somewhat uncertain prospects for 1985, with continued moderate expansion heavily dependent on the evolution of the US economy, and on the policies of two of three member states, are common to the whole EEC including Ireland. Of course there are particular features of the Irish case, including the exceptionally high level of unemployment, the severity of the public finance problem, and on the favourable side, the extraordinarily rapid growth in manufacturing output per head arising largely from the concentration in Ireland of modern high-technology industries. Nevertheless, the similarities outweigh the differences and in assessing Irish economic performance the general European experience should be kept in mind.

Exports

The extremely rapid growth in merchandise exports which commenced in 1983, and has been highlighted in previous *Commentaries,* has continued during 1984. The apparent check during the third quarter, when the seasonally corrected value of exports slipped 4 per cent below its record second quarter level, would appear to be due largely to August holidays having a greater than usual impact. September and October exports were once more well above the average level for the previous months of the year, suggesting that fourth quarter exports should remain buoyant.

TABLE 2: Exports of Goods and Services

	1983	% Change		1984	% Change		1985
	£m	Volume	Value	£m	Volume	Value	£m
Agricultural	1466	12¾	17½	1723	4½	8	1861
Manufactured	4335	17½	28	5554	12	19	6608
Other Industrial	1065	17	37	1460	10½	15	1679
Other	70	0	10	77	0	6½	82
Total Visible	6936	16¼	27	8814	10¼	16	10230
Adjustments	−132			−210			−200
Merchandise Exports	6804	15¾	26½	8604	10¾	16½	10030
Tourism	524	4½	13¾	596	4¾	12	668
Other Current Receipts	391	¾	10	430	1	8	464
Exports of Goods and Services	7719	14¼	24¾	9630	10	16	11162

Table 2 sets out the forecast pattern of exports in 1984 and projections for 1985. Agricultural exports are set to show a much larger volume increase than usual in 1984, reflecting both a reduced intake of milk products into intervention, and increased sales from intervention. Partly because of the sales from intervention at low direct prices, the forecast prices increase for agricultural exports is very modest, although there should be a further contribution to the balance of payments from correspondingly higher EEC transfer payments. Sales to and from intervention stocks are difficult to predict, and consequently the 1985 projection is based on an assumption that there will be little change in the level of such stocks, apart from the effect of existing contracts which will extend into the new year.

Manufacturing exports, as in 1983, are responsible for the greatest part of the increase in exports in 1984. In the first ten months, manufactured exports increased by just over 30 per cent in value, implying a volume rise of about 20 per cent. Because of the high level of such exports in the final quarter of 1983 the forecast rise for 1984 as a whole is rather below these ten-month percentages. The output of the new industries is responsible for much of the growth, but by no means all of it. Of the value increase of £1063 million in the first ten months of 1984, office machines and automatic data processing equipment accounted for £468 million or 44 per cent, and the chemical industry for £227 million or 21 per cent. This left room for substantial contributions from a wide range of products, including such traditional industries as textiles and clothing. In 1985 as in the past, supply factors will be an important determinant of the level of exports from the new industries, and should ensure substantial further growth. However, in view of the slower increase projected for the volume of world trade, including that in electronic products, it seems probable that the rate of growth of manufactured exports will be lower than in 1984 in both volume and value terms.

Much of the exceptional increase in the value of other industrial exports in 1984 is due to the operation of the Alcan plant for its first full year, and to a substantial rise in zinc prices. Alcan exports are expected to increase in 1985, but obviously at a much slower pace, while a further steep rise in zinc prices is most unlikely. Thus a considerably smaller value increase in other industrial exports is projected for 1985.

Tourism is believed to have enjoyed a relatively successful year in 1984, although perhaps below some early expectations. A further substantial improvement is projected for 1985 on the assumptions that the US economy remains buoyant, the dollar strong, the European recovery gathers pace and that there are no untoward events to discourage visitors.

In total, exports of goods and services are forecast to rise over 14 per cent in volume and nearly 25 per cent in value in 1984. Even with relatively buoyant world trade this is an impressive performance, reflecting both a favourable product mix and considerable market penetration. The projections for 1985 assume that exports will continue to grow faster than world trade, but that the slowdown in the latter will contribute to some moderation in export growth.

Stocks

Latest estimates suggest that the fall in the number of livestock on farms in 1984 has been less acute than might have been expected following the introduction of the superlevy. On the assumption that there will be no significant increase in the milk quota, a faster rate of destocking seems probable in 1985.

There has been a dramatic reduction in the rate of growth of intervention stocks in 1984. This is due largely to heavy sales and reduced purchases of skim milk powder, so that end year stocks of this product are likely to be some 50 thousand tons less than at end 1983. Butter stocks will have grown, although by considerably less than in 1983, and much of the increase will be offset early in 1985 under the recent Russian contract. However, while stocks of dairy products at last seem under some degree of control, beef stocks have been rising rapidly. While much of the increase in European beef stocks must be the result of heavy culling of dairy cattle, it is not yet clear whether changes from milk to beef production will tend to keep EEC beef supplies in surplus on a longer term basis. The assumptions made in Table 3 are that there will be a small decline in stocks of dairy produce in 1985, but that beef stocks will continue to rise although at a slower rate than in 1984.

A comparison of import trends with those in manufacturing production, exports and consumption suggest that the build up in non-agricultural stocks which was forecast in earlier *Commentaries* has not taken place so far in 1984.

TABLE 3: Stock Changes

	1983 £m	Change in Rate £m	1984 £m	Change in Rate £m	1985 £m
Livestock on Farms	−2	−13	−15	−15	−30
Irish Intervention Stocks	178	−138	65	−30	35
Other Non-ag. Stocks	−91	+91	0	+50	50
Total	85	−35	50	+5	55

It does, however, seem probable that the heavy run-down of stocks which took place in 1982 and 1983 has come to an end. Accordingly the forecast for 1984 is for no change in stock levels and the projection for 1985, at a later stage in the recovery, is for a moderate increase, but with high interest rates continuing to inhibit large-scale restocking.

Fixed Investment

Investment indicators give a somewhat confusing picture of the trend of investment in 1984. Cumulative domestic sales of home produced cement in the period from January to October were 4.2 per cent down on the corresponding period of 1983. Conversely, production of non-metallic minerals, which include cement but also other building-related goods, was 5 per cent higher in the first eight months of 1984 than in 1983. The private building and construction employment index showed a 13 per cent fall in the first nine months of 1984 compared with the same period of 1983, and on a seasonally adjusted basis was still falling in the third quarter. Unemployment statistics, however, suggest a somewhat lower fall in building employment compared with 1983. Housing completions in the first three quarters of 1984 were 3.2 per cent down on 1983. Local Authority completions were virtually unchanged, despite a decline in the third quarter, while a poor second quarter resulted in private completions for the nine months recording a fall of 4.1 per cent. For the year as a whole, Local Authority completions are expected to show a significant increase; but total housing output is likely to be down by perhaps 2½ per cent.

With regard to investment in machinery and equipment, imports of capital goods in the period from January to August rose by 12 per cent in value, most of which was due to price increases. Given the upturn in capital goods imports in the later months of 1983 it seems unlikely that the volume of such imports will increase significantly in 1984 as a whole.

For fixed investment as a whole, the volume decline forecast for 1984 in Table 4 is less than the volume decline in the 1984 public capital programme, implying that a slightly higher proportion of total fixed investment will have been met from private sector funding. This trend is projected to continue in

TABLE 4: Gross Fixed Capital Formation

	1983	% Change		1984	% Change		1985
	£m	Volume	Value	£m	Volume	Value	£m
Building and Construction	1849	−4	3½	1914	1½	7½	2059
Machinery and Equipment	1450	¼	10¼	1599	3	10¼	1763
Total	3299	−2	6½	3514	2¼	8¾	3823

1985 where a 2¼ per cent volume growth in investment is predicted in spite of a small constant-price reduction in the public capital programme. Industrial investment, and to a lesser extent private housing, are likely to be the main foci of expansion.

Consumption

As with investment, indicators of the level of personal consumption in 1984 leave a considerable degree of uncertainty concerning current trends. The retail sales index indicates a fall in the volume of consumption in the first 9 months of 1984, with a value rise of only 6½ per cent on the corresponding period of 1983. On the other hand, indirect tax receipts, especially of VAT, suggest that the value of consumption has been rising more rapidly than this. While it now appears that consumption forecasts in earlier *Commentaries* were too high, the balance of evidence still suggests some increase in the volume of personal consumer expenditure in 1984.

With a small rise in real disposable income probable in 1985, personal consumption could increase by about 8¾ per cent in value and 2¼ per cent in volume. A further fall in price inflation and a modest rise in total employment should encourage consumer spending.

Public expenditure on goods and services is thought to have risen by about 8 per cent in value, but to have fallen by perhaps ½ per cent in real terms. A further fall of about ½ per cent in 1985 would be compatible with the aims of the Plan, with a relatively low price increase taking the value increase to about 5½ per cent. This would appear consistent with the published estimates for 1985, provided that public service pay increases really can be kept to a very low level.

Agricultural Incomes

Despite the introduction of the superlevy and the scares occasioned by the drought in the Summer, 1984 has emerged as a reasonably good year for agriculture. Due to very high crop yields and a continued expansion in livestock products, gross output is estimated to have risen by more than 4 per cent in volume and about 7 per cent in value. With the volume of material inputs reduced, and with other expenses rising less than the value of net output, income arising in agriculture appears to have risen by over 9 per cent, thus at least keeping pace with inflation.

The outlook for 1985 is less buoyant. A repetition of weather conditions which ultimately proved very favourable cannot be expected. More seriously there seems little realistic expectation that the superlevy quota will be significantly increased for the 1985 season, and EEC price increases are likely to be modest. Farmers seem likely to adjust by further reducing the volume of inputs, especially feed, while the increase in input prices could be less than in 1984. Taking these factors into account, together with the possiblility that beef markets may be more buoyant than in 1984, it seems reasonable at this stage to project an increase of about 4 per cent in income asrising in agriculture.

Private Sector Wages and Salaries

It is unusual in the final month of the year for the shape of the current pay round to remain so indefinite as at present. The one fact which has emerged clearly is that there is a wide spread in both the size and the structure of settlements, which in itself makes it difficult to establish what the average is. Also many settlements have been delayed, either through the parties waiting to see what the emerging pattern would be or through the rejection of Labour Court recommendations.

Despite these uncertainties, it is apparent that the general level of settlements in the 24th round is more moderate than for many years. For the purpose of forecasting, the technical assumptions are made that for the private sector as a whole, including the commercial semi-state companies, the carryover into 1984 was 5.5 per cent, that average agreements in 1984 added 5 per cent from June 1st and that various elements of drift have added a further ½ per cent to gross earnings. These assumptions result in an increase in average earnings of a little over 9 per cent for 1984 compared with 1983. Only a marginal decline is expected in the number of private employees.

The uncertainty concerning the form of the 24th round affects predictions for the level of earnings in 1985, even before any view is taken on the likely shape of the 25th round. The length, as well as the size of agreements reached in 1984 has varied widely, with some agreements thus expiring early in 1985 and others lasting to the end of the year or beyond. It does seem probable that those 25th round increases which come into force in 1985 will be moderate, in the face of continuing high unemployment and lower price inflation. The technical assumptions are for a carryover incorporating later phases of 24th round agreements, averaging about 6 per cent, and new increases averaging 4 per cent coming into effect for the final 3 months of the year. This would give an annual increase in private sector earning rates of a little over 7 per cent, which drift could take up to 7½ per cent. As private sector employment is expected to increase in 1985, perhaps by almost 1½ per cent, aggregate private sector earnings could grow by 9 per cent.

Projections of movements in other countries' hourly earnings were shown in Table 1. Given roughly constant exchange rates, continued productivity growth in the exposed sectors should maintain, or slightly improve, Irish competitiveness in 1985.

Public Sector Pay

The official estimates for 1985 give a figure of £2,340 millions as the probable level of direct public service pay in 1984. If this figure is correct, and there seems no reason to doubt that is is of the right order of magnitude, it would imply that direct public sector earnings have risen by 7.6 per cent in 1984 over 1983. The carryover from the 23rd round, with its final phase in February 1984, would account for 6.2 per cent, leaving a balance of about 1½ per cent to be explained by salary scale drift, the effect of special agreements and a decline in the number employed. There has of course been no general increase in 1984 under the 24th round.

The estimates for 1985 indicate aggregate earnings of £2,380 million at current rates of pay which would appear to be a slight overestimate if the gradual rundown in number employed continues. The Plan indicates a limit of £2,400 million for pay in 1985. Where allowance is made for drift and a fall in numbers, this would appear to allow for a further average pay increase in 1985 of about 1½ per cent, or alternatively 3 per cent from the middle of the year.

Even given the stated policy of holding down public sector pay as the principal means of correcting the budget imbalance, this seems implausibly low. Arbitration awards, if they take any cognizance of the pattern of Labour Court recommendations, could be expected to raise the figure by a few points.

The technical assumption used in this *Commentary* is that there will be a 3 per cent increase from January 1985, or such other agreement as would give the same annual total. This would produce a public service pay aggregate of about £2,435 million, or 4 per cent higher than in 1983. A larger increase in average pay could be accommodated within this aggregate if the cost of scale-drift is lower, or the reduction in employment greater, than assumed.

Putting together the private and public sectors, the technical assumptions made here give increases in non-agricultural wages and salaries of 8¾ per cent in 1984 and 7½ per cent in 1985. The implied fall in the rate of average pay increases is about 2 per cent, because these aggregate earnings figures allow for some employment rise in 1985, compared with a slight fall in 1984.

Other Incomes

Other income in Table 5 comprises income from non-agricultural self-employment together with personal income from interest dividends and rent. Up-to-date indicators of movements in such incomes are not available, but in general terms they tend to be responsive to the timing of the economic cycle. With 1984 representing the upswing of the current cycle, albeit a relatively weak one, an aggregate rise of 14½ per cent seems a reasonable estimate. With inflation and growth likely to be slightly lower in 1985, the assumed rate of increase in other incomes is reduced to 12 per cent.

Total income received from work or property is thus expected to have risen by nearly 9¾ per cent in 1984, and is forecast to increase by just over 7¾ per cent in 1985.

Transfer Income

State and local authority transfers are estimated to have risen by about 14 per cent in 1984. The increase in the numbers unemployed might have been expected to lead to a faster growth in transfer payments, but the increasing incidence of long term and of recurrent unemployment has led to a steep rise in the proportion receiving assistance rather than benefit. Total transfer payments to individuals appear to have increased more slowly than State transfers because of a seeming reduction in the level of personal transfer from the rest of the world. As this National Accounts item is derived as a residual, the apparent fall must be treated with caution, and the forecast level of total transfers in 1984 might well prove to be a slight underestimate.

Domestic transfers will increase more slowly in 1985, because of a considerable reduction in the year on year increase in unemployment, because the carryover of past increases in rates of benefit will be lower, and because the rise in benefit rates in the course of 1985 may be slightly less than in 1984. On the assumption that rates will rise by 6 per cent from mid-year, total transfers from the public authorities could increase by almost 10 per cent in 1985. If it is

TABLE 5: Personal Disposable Income

	1983 £m	Change %	Change £m	1984 £m	Change %	Change £m	1985 £m
Agriculture etc.	1,222	9	110	1,332	4	53	1,385
Non-Agricultural Wages, etc.	7,910	8¾	691	8,601	7½	637	9,238
Other Non-Agricultural Income	1,722	14½	250	1,972	12	237	2,209
Total Income Received	10,854	9¾	1,051	11,905	7¾	927	12,832
Current Transfers	2,613	12½	327	2,940	11½	339	3,279
Gross Personal Income	13,467	10¼	1,378	14,845	8½	1,266	16,111
Direct Personal Taxes	2,671	16½	441	3,112	9½	295	3,407
Personal Disposable Income	10,796	8¾	937	11,733	8¼	971	12,704
Consumption	8,536	10	854	9,390	8¾	825	10,215
Personal Savings	2,260	3¾	83	2,343	6¼	146	2,489
Savings Ratio	21.0%			20.0%			19.6%

further assumed that personal transfers from the rest of the world will return to their usual growth path, then total transfer income in 1985 could be about 11½ per cent higher than in 1984.

Disposable Income

Table 5 summarises the changes in income discussed above, showing that gross personal income is expected to have risen by over 10 per cent in 1984, and is forecast to rise by about 8½ per cent in 1985. Direct taxes on personal income and wealth are thought to have risen by 16½ per cent in 1984, leaving the rise in personal disposable income at 8¾ per cent. This implies no significant change in real disposable income, when allowance is made for the rise in consumer prices. The modest increase in the volume of consumer spending is thus accounted for by a reduction in the personal savings ratio.

For the purpose of the *Commentary* it is assumed that personal allowances and rate bands for income tax will be fully indexed in 1985 and that other direct tax rates will remain unchanged in real terms. Allowing for some lags in adjustment and non-indexation of peripheral tax allowances, the effective increase in receipts from personal direct taxes should be about 9½ per cent on a total income rise of 7¾ per cent. On these assumptions personal disposable income in 1985 would increase by 8¼ per cent, giving a rise of 1¾ per cent in real terms. A slight further fall in the personal savings ratio, which remains high by historical standards, would enable consumption to increase by a nominal 8¾ per cent.

Industrial Output

Under the stimulus of high exports of manufactured goods, the volume of manufacturing production rose very steeply in the first half of 1984. Even after a relatively slack period in July and August, which possibly reflects a greater concentration of holiday closures, the average production in the first nine months of the year was 12 per cent higher than in the corresponding period of 1983 and 10.4 per cent higher than the monthly average for 1983 as a whole. Given that September output showed a full recovery from the summer level and October exports remained high it seems reasonable to assume that manufacturing output has resumed its growth. An annual increase of at least 11 per cent seems probable.

In line with the lower rate of increase projected for industrial exports in 1985, it is probable that the growth of manufacturing will be less dramatic, but it is still likely to be in the region of 9 per cent. As in 1984, the increase in the production of transportable goods industries as a whole is likely to move closely in line with that of manufacturing industry.

Employment

One of the puzzles of recent economic statistics is the enormous apparent rise in output per head in manufacturing industry. While production was rising at an almost unprecedented rate in the first half of the year, recorded employment in manufacturing fell slightly in both the March and June counts. Thus the implied annual increase in output per head in the first half of 1984 was 16.6 per cent. Even allowing for the composition effect of so much of the growth coming from the high productivity modern sectors of industry, such a rate is hard to accept. The output figures appear to be confirmed, at least in their general magnitude, by the trade statistics. This suggests that either the productivity rate, however extraordinary, is accurate within the current conventions of measurement, or that the employment figures are understated.

In either case, some rise in manufacturing employment can be expected in 1985, as industrial expansion cannot continue indefinitely without employing workers. Little increase can be expected in building employment in 1985, but

TABLE 6: Employment and Unemployment

A: Mid-April Estimates '000

	1982	1983	1984	1985	1986
Agriculture	193	189	185	182	179
Industry	355	331	317	319	324
Services	600	605	609	612	618
Total at work	1,148	1,125	1,111	1,113	1,121
Unemployed	148	184	213	221	225
Labour Force	1,296	1,309	1,324	1,334	1,346
Unemployment Rate %	11.4	14.1	16.1	16.6	16.6
Live Register	148	188	214	222	225

B: Annual Averages '000

	1982	1983	1984	1985
Agriculture	191	187	183	180
Industry	346	325	318	322
Services	603	607	611	615
Total at work	1,140	1,119	1,112	1,117
Unemployed	161	195	215	223
Labour Force	1,301	1,314	1,327	1,340
Unemployment Rate %	12.4	14.8	16.3	16.6
Live Register	157	193	214	223

Footnote:
The labour force estimates for mid-April 1982-83 have been taken from Table 10 of "Economic Review and Outlook, Summer 1984". This is a revised series, based on the results of the 1983 Labour Force Survey. It should be noted that the unemployment estimates now include those seeking work for the first time, who numbered 29,000 in April 1983.

if the forecast of a slight recovery in investment in building and construction is correct the numbers should at least cease to fall. Private services are confirmed in each successive Labour Force Survey as increasing, even during recession, and it seems reasonable to assume that in 1985 the increase in private service employment will outweight the small reduction expected in public service employment.

Table 6 sets out the recent employment experience together with projections for 1985. It can be seen that a slight improvement in total employment is expected, but that average unemployment for the year will be marginally higher at 16.6 per cent of the Labour Force compared with 16.3 per cent in 1984. The growth in unemployment would be higher in both 1984 and 1985 if estimates of the size of the labour force had not been reduced to take account of an apparent slight upturn in emigration.

Consumer Prices

The trend in the rate of consumer price inflation has been steadily downward in 1984, culminating in an increase of only 6.7 per cent in the twelve months to November. The annual average increase was 8.6 per cent compared with 10.4 per cent in 1983. This improvement is due to a substantial reduction in domestic inflationary pressures and a lower rate of increase in food prices, partly offset by a larger rise in import prices because of the continued strength of the dollar.

For 1985, it seems certain that domestic influences will again make for low price increases, while the dollar exchange should cease to exert a strong upward pressure. On the assumptions that the dollar declines only marginally from its present value and that indirect tax rates remain roughly constant in real terms, the most likely out-turn for 1985 would be for the consumer price index to rise by about 6 per cent between November and November, with the annual average also increasing by around 6 per cent. If there is a substantial fall in the dollar, then the likely rate of consumer price inflation could be lower by perhaps ½ per cent.

Imports

The value of imports rose by 21.5 per cent in the first 10 months of 1984 compared with the corresponding period of 1983. By far the largest element in this increase was materials for further industrial production, reflecting the requirements of the booming industrial export sector. Given that there was a sharp upturn in the seasonally adjusted value of imports in the final quarter of 1983, which seems unlikely to have been fully repeated in the last two months of 1984, the annual rise in imports of goods could have been a little under 19 per cent. Price increases seem to have played a much larger part than a volume expansion in this rise in value.

As Table 7 shows, the volume of visible imports is projected to increase a little faster in 1985 than in 1984. However, it is expected that import prices will rise less steeply so that the value of visible imports should increase by less than in 1984. Goods for industrial processing will again be the class accounting for most of the increase, although small rises are projected for the volume of imports of both capital and consumer goods.

TABLE 7: Imports of Goods and Services

	1983 £m	% Change Volume	% Change Value	1984 £m	% Change Volume	% Change Value	1985 £m
Capital Goods	936	½	10½	1,035	2½	8	1,112
Consumer Goods	1,873	1½	11¼	2,085	3	9¼	2,278
Intermediate Goods:							
Agriculture	379	2½	12½	426	−2	3	439
Other	4,155	11½	24¾	5,183	12	19¼	6,177
Other Goods	12	0	8	13	0	7¾	14
Total Goods	7,355	7	18¾	8,742	8	14¾	10,026
Adjustments	−77			−92			−105
Merchandise Imports	7,278	7	18¾	8,650	8	14¾	9,921
Tourism	366	0	9¼	400	2¼	9	436
Other Services	430	9¼	19	512	7½	15¼	590
Imports of Goods and Services	8,074	6¾	18½	9,562	7¾	14½	10,947

Imports of services are difficult to predict, both because there are no running indicators and because of some uncertainty as to how cross border consumer purchases are treated in official estimates. For convenience, changes in cross border consumer trade are classified under other services in Table 7. Even discounting most of the wilder claims concerning the amount of such traffic, it does seem probable that there has been some increase in 1984, which on the indirect tax assumptions made in this *Commentary*, could continue in 1985.

Balance of Payments

It seems certain that there has been a major improvement in the balance of trade in 1984. If the forecasts presented in this *Commentary* are correct, the visible trade balance will have improved by almost £500 million, and the balance of trade in goods and services by £423 million to an actual surplus of £68 million. Most of this trade improvement will have been offset by a further steep rise in net factor payments, as both interest on the external debt and expatriated profits will have increased. There should also however have been a substantial increase in current net transfer payments, mainly from the EEC. Thus the overall balance of payments could well have improved by between £150 and £200 million, to less than £700 million or 4.7 per cent of GNP compared with 6½ per cent in 1983.

The improvement expected in the balance of trade in 1985 is more modest, although trade in goods and services should nevertheless move to a surplus of over £200 million. Factor outflows seem certain to increase again, even if interest rates decline during the year, and if net transfers rise by 10 per cent the total Balance of Payments would deteriorate slightly in nominal terms while remaining roughly constant as a proportion of GNP. Such an out-turn could be expected to keep monetary conditions tight and to militate against any narrowing of the interest differential between Ireland and her neighbours.

Public Finances

Expenditure and revenue returns for the first nine months of 1984, together with official estimates of the expenditure out-turn for the year as a whole included in the *1985 Estimates for Public Services,* suggests that both government spending and receipts in 1984 will be reasonably close to the original estimates. Both in fact are likely to be very slightly down on the estimates, leaving the likely current budget deficit very close to, or marginally below, its target of £1,089 million.

The composition of revenue will differ from that budgetted for, with direct tax receipts rather higher and indirect tax receipts rather lower, than anticipated. On the expenditure side, the public pay bill will be significantly below that budgeted for, but some other items will be higher.

With regard to 1985, the following assumptions have been made in line with government policy as outlined in *Building on Reality.* It should be stressed that at this stage these are technical assumptions only, necessary for the construction of a forecast. Whether they represent the most likely or the most desirable policy will be discussed in the concluding section of the *Commentary.* It is therefore assumed that current supply service expenditure will conform to the *Estimates for Public Services 1985* apart from adjustments for a 3 per cent average pay increase for 1985 and a 6 per cent increase in social welfare benefit and allowance rates from the middle of the year. Central Fund expenditure is assumed to rise by just over 15 per cent to £2,240 million, reflecting larger interest payments both home and abroad and an increase in contributions to the EEC.

The main technical assumptions concerning taxes are that personal allowances and tax bands for income tax will be fully indexed, but that maximum allowances for such items as interest paid will not be indexed, that the rates of income levies, corporate and capital taxation will remain unchanged, that VAT rates and coverage will not be altered and that specific excise duties will be increased in line with inflation.

On the basis of these assumptions, together with the general economic background forecast, it seems likely that total government current expenditure would be of the order of £7,625 and total revenue about £6,500, of which tax revenue would account for about £5,835. Thus the current budget deficit would be in the neighbourhood of £1,125 million, representing 7.1 per cent of GNP compared with the 7.2 per cent thought likely in 1984.

The 1985 *Public Capital Programme* estimates that the provisional outturn for 1984 was a total capital expenditure, including non-programme outlays, of £1,936 million, giving rise to a capital exchequer borrowing requirement of £791 million. The programme for 1985 envisages no significant change in the public capital programme itself, but a fall in non-programme outlays, so that the total capital expenditure will be reduced to £1,845 million and the exchequer borrowing requirement (capital) to £779 million. If these estimates are adhered to, then the total Exchequer borrowing requirment in 1985 would be about £1,900. This would be of the same order of magnitude in absolute terms as in 1984, but would represent a reduction of almost 1 per cent, to about 12 per cent, as a proportion of GNP.

This in turn implies that monetary conditions are likely to remain difficult with government borrowing set to absorb a large proportion of available domestic savings as in 1984. It is assumed that official policy will be to endeavour to reduce marginally the absolute level of net new foreign borrowing. Nevertheless, the likelihood that some foreign borrowing will be undertaken early in 1985 suggests that the recent rise in domestic interest rates might well be reversed quite quickly. For 1985 as a whole, the expected reduction in international interest rates could lead to some small decline in the average level of domestic rates compared to 1984. The authorities could face and awkward trade-off between the need to minimise foreign borrowing and the conflicting need to permit some fall in domestic interest rates.

Policy Implications

The picture painted in the *Commentary* for both 1984 and 1985 is of painfully slow progress towards achieving the policy aims of stabilising unemployment and improving the public finances. In this the Irish economy is largely reflecting the wider European economy. Indeed it is difficult to envisage any substantial improvement in Irish employment while the average jobless rate in the EEC is in double figures and still rising. Policy decisions in the major European countries hold the real key to a lasting recovery in the Irish economy. While efforts should continue to promote a co-ordinated E.E.C. approach to faster expansion, it must be accepted that Irish influence on economic decisions in London, Bonn or Paris is rather limited.

In the meantime the issues of domestic economic policy remain intractible. The difficulties are exemplified in the forecast for 1984. Export growth seems likely to have brought about an increase in real GDP of 3.8 per cent, which is well above the European average and which, taken at face value, might have been expected to result in falling unemployment. Of course the GDP growth cannot be taken at face value because of the massive rise in net factor payments abroad, caused both by the interest cost of the public overseas debt and by the dual nature of the Irish economy, where much of the increased growth accrued to the corporate profits of overseas firms and has been expatriated. Because of these factors, the likely growth rate in the more relevant aggregate of real GNP has been in the region of 2½ per cent, which has proved insufficient to provide employment growth or to lead to any reduction in the nominal size of the budget deficit.

The 1985 forecast projects a somewhat similar pattern, although with many uncertainties which could lead to an outturn significantly better or worse than that forecast. What is clear despite the uncertainties is that the government possesses very little room for manoeuvre in its decisions.

The medium-term plan put forward in *Building on Reality* relies on a gradual approach to correcting the financial balances against a background of moderately favourable, but not unreasonable, assumptions concerning external developments. The time-path of the plan is worrying, in that the principal improvements in the key targets of employment and the budget deficit are projected to arrive at the end of the period covered rather than the beginning. To some extent this reflects the assumed timing of the fall in international interest rates and to some extent it reflects an unwillingness or inability to reduce real public expenditure rapidly.

This latter is a phenomenon which has been widely noted in other countries which for reasons of either necessity or ideology have attempted to reduce the proportion of national product accounted for by public spending. Given that strong reasons of equity, usefully reinforced by political expediency, preclude more than the most marginal erosion of real social welfare benefit levels, or coverage, what has emerged so clearly is the difficulty of reducing the public pay-bill. Despite widespread accusations of inefficient working practices and overmanning, nearly all countries have found that significant reductions in the number employed can only be obtained at the cost of equally significant reductions in the scope or standards of the services offered by the public authorities. As these services tend themselves to be redistributive, the equity and political arguments against cutting real transfers apply also to most cuts in health, education and other services.

It is in the attempt to achieve the essential economies in public expenditure with the minimum reduction in the level of services offered that the central domestic strategy of the plan has emerged as the cutting of real wages and salaries in the public sector. That this is to be achieved through holding down pay increases below the level of price inflation rather than through a once off reduction in nominal pay rates might alter the perception of the policy as well as making it slower to take effect. It does not alter the reality.

There can be little informed and disinterested opposition to such a strategy. Public expenditure is far above what can be accommodated within the revenue available, and there is a manifest disinclination on the part of society to tolerate significantly higher aggregate taxes. Each year that the gap between expenditure and revenue remains wide makes the problem more difficult to solve, because additional borrowing will have increased the burden of interest payments. Unilaterial cuts in the interest bill or EEC dues are not possible. Cuts in social welfare transfers are generally perceived as inequitable because they mainly affect the poorer members of society. Cuts in the real public pay bill are the only remaining option, and cuts through pay rates rather than the numbers employed are fairer both to the staff who might lose their jobs and to the consumers of the services provided by the public service.

It is unfortunate that this argument based on dire economic necessity has sometimes got confused with an irrelevant quasi-moral debate on the relative worth of private and public sector employment. The simplistic nonsense that all private employment is productive and all public employment is unproductive has been advanced to make a "moral" virtue out of the unfortunate need to reduce public pay. It is surely sufficient that teachers, nurses and tax inspectors should be required to face a differential fall in their living standards for the sake of their own and the country's long-term future, without having also to suffer a denigration of their role in society.

With regard to 1985, therefore, it is essential that the government adhere to its general strategy on public service pay. At the time of writing no arbitration awards have been made concerning the direct public service. If such awards do threaten to breach the ceiling of £2,400 million set for 1985 in the plan, then difficult choices will have to be made. Clearly anything approaching the unrealistic claims submitted by the public service unions would have to be rejected, whatever the damage to the existing industrial relations machinery. More modest awards, perhaps in line with some of the Labour Court recommendations for the weaker semi-state companies, could pose a harder dilemma. It would not seem worth wrecking established procedures or subjecting society to potentially damaging disputes over a difference of 1 or 2 per cent between guidelines and award. Rather the problem would be one of how far to enforce cash limits, so that a clear trade-off would become apparent between pay-rates and job levels. Some flexibility is probably desirable, but it remains vital that the total public pay-bill does not get out of hand.

The forecast for 1985 in this *Commentary* suggests that with expenditure kept fairly close to the published 1985 Estimates, and with specific excise duties rising in line with inflation, full indexation of income tax personal allowances and bands could probably be afforded within the constraint of marginally reducing the budget deficit as a proportion of GNP. If this calculation is correct, the question arises as to the desirability of full indexation.

Both political committment and the economic need to prevent a further erosion of disposable income dictate that a substantial degree of indexation is required. However there are strong arguments in favour of withholding a part of the indexation in order to reduce some rates of indirect tax, thus lowering the expected increase in consumer prices and possibly also removing part of the incentive for cross border shopping. This latter objective could probably be better met by altering the mix, and possibly extending the coverage, of indirect taxes themselves. This would leave open the option of using incomplete indexation to prevent the budget deficit rising in even nominal terms. If this contributed towards a monetary policy of edging down interest rates, then the apparent increase in fiscal harshness might prove to be offset by the greater stimulus to private investment. Also, in a world of uncertainty, the more rapidly the state of public finances can be improved, the sooner can Ireland's dangerous degree of exposure to adverse international developments be significantly reduced.

STATISTICAL APPENDIX

	Output Indicators				Employment		Output per Head	
	1	2	3	4	5	6	7	8
	Manufacturing	Transportable Goods	Electricity Output	Cement Sales	Manufacturing	Transportable Goods	Manufacturing	Transportable Goods
	1973 = 100	1973 = 100	G.W.H.	000 Metric Tons	000's	000's	1973 = 100	1973 = 100
1978	125.6	125.1	9815	1751.7	216.9	228.1	125.5	124.5
1979	134.9	134.6	10853	2067.8	226.7	238.3	128.9	128.2
1980	133.7	133.5	10733	1814.9	227.2	238.8	127.5	126.0
1981	136.6	134.5	10767	1812.5	220.7	232.3	134.1	131.4
1982	135.3	133.9	10792	1486.1	213.8	224.7	137.1	135.3
1983	144.9	142.6	11039	1382.4	201.0	211.3	156.2	153.2
1984								
Quarterly Averages or Totals								
1981 I	130.6	128.7	2885	410.2	221.1	232.4	128.0	130.8
II	145.2	142.9	2546	516.6	219.9	232.1	143.0	139.8
III	131.9	131.9	2408	488.8	221.1	233.1	129.3	128.4
IV	138.7	134.4	2928	396.9	220.7	231.4	136.2	131.8
1982 I	133.7	130.1	2954	335.2	217.2	228.1	133.4	129.4
II	143.6	142.8	2514	436.2	214.7	226.8	145.3	142.9
III	126.5	127.9	2425	405.9	213.5	224.2	128.4	129.5
IV	137.8	134.8	2899	308.8	209.7	219.6	142.4	139.3
1983 I	142.1	139.1	2990	298.1	203.0	212.9	151.7	148.3
II	149.5	146.3	2650	367.1	200.7	211.9	161.4	156.7
III	136.9	137.6	2470	371.5	201.4	212.0	147.3	147.3
IV	151.3	147.5	2929	345.7	198.8	208.3	164.9	160.7
1984 I	154.1	150.0	3136	271.5	195.7	205.2	170.6	165.9
II	174.6	173.3		366.3	194.9	205.8	194.1	191.1
III	150.2	149.7		350.0				
IV								
Quarterly Averages or Totals Seasonally Corrected								
1981 I	132.9	132.3	2606	478.2	222.2	234.0	129.6	128.3
II	136.5	134.3	2708	465.2	220.6	232.0	134.1	131.4
III	139.0	136.4	2729	447.6	220.4	232.2	136.7	133.3
IV	137.9	135.0	2737	416.6	219.5	230.8	136.1	132.7
1982 I	135.1	132.6	2676	380.9	218.4	229.7	134.0	131.0
II	135.2	134.2	2674	396.3	215.6	226.8	135.9	134.3
III	133.8	132.8	2737	374.5	212.6	223.1	136.4	135.1
IV	136.9	135.3	2704	329.8	208.6	219.1	142.1	140.2
1983 I	143.6	141.8	2720	343.1	204.1	214.5	152.4	150.1
II	140.7	137.4	2816	332.0	201.6	212.0	151.3	147.2
III	145.3	143.4	2786	343.2	200.5	210.9	157.1	154.3
IV	150.7	148.3	2731	369.9	197.7	207.8	165.2	162.1
1984 I	155.3	152.7	2848	309.4	196.8	206.7	171.0	167.6
II	164.3	173.3		331.5	195.7	206.0	189.1	191.1
III	159.5	149.7		321.2				
IV								

Unemployment	Prices						
9	10	11	12	13	14	15	
Live Register Av. Monthly	Consumer Price Index	Agricultural Price Index	Import Unit Value	Export Unit Value	Terms of Trade	Price of Stocks + Shares	
000's	Nov. 1975 = 100	1975 = 100	1975 = 100	1975 = 100	1975 = 100	1975 = 100	
99.2	139.9	174.0	146.2	151.6	103.7	201.5	1978
89.6	158.5	184.2	165.9	165.0	99.5	215.6	1979
101.5	187.3	179.3	195.6	179.5	91.8	212.0	1980
127.9	225.6	213.1	232.4	208.4	89.7	219.9	1981
148.2	264.2	232.2	249.4	231.5	92.8	179.9	1982
192.7	291.8	246.8	261.1	251.9	96.5	223.7	1983
							1984
Quarterly Averages or Totals							
125.8	209.9	202.9	221.4	192.0	86.7	218.9	1981 I
124.3	218.1	213.2	231.3	204.8	88.5	235.3	II
126.8	230.4	213.9	236.8	211.5	89.3	223.1	III
134.5	243.8	220.0	236.6	216.2	91.4	202.7	IV
146.8	249.5	237.0	243.5	222.2	91.3	192.3	1982 I
149.0	263.9	235.3	248.4	231.1	93.0	174.6	II
159.0	269.5	230.2	254.0	235.0	92.5	175.5	III
171.6	273.8	229.6	255.6	238.3	93.2	178.3	IV
188.3	280.6	241.9	247.0	237.3	96.1	172.0	1983 I
188.1	288.3	245.9	254.5	247.7	97.3	206.1	II
193.0	296.5	250.0	268.8	257.0	96.7	249.7	III
201.3	302.0	249.7	275.3	263.3	95.6	267.2	IV
215.2	309.1	263.9	281.7	266.0	94.5	309.6	1984 I
210.8	316.2	268.1	283.7	269.8	95.1	314.9	II
212.6	320.1					280.5	III
							IV
Quarterly Averages or Totals Seasonally Corrected							
121.7	210.5	198.8	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No. Seasonal Pattern	1981 I
125.5	217.3	207.4					II
129.5	229.9	216.9					III
134.7	244.5	227.5					IV
142.2	250.1	231.9					1982 I
150.9	263.1	229.7					II
161.5	268.9	233.4					III
171.8	274.4	237.1					IV
183.7	281.4	236.6					1983 I
190.0	287.5	240.8					II
195.6	295.8	253.0					III
201.5	302.6	255.5					IV
210.1	310.0	258.2					1984 I
212.6	315.4	262.9					II
215.5	319.2						III
							IV

	Money Earnings Weekly Averages		Real Earnings		Consumption Indicators		
	16	17	18	19	20	21	22
	Manufacturing	Transportable Goods	Manufacturing	Transportable Goods	New Cars Registered	Retail Sales Value	Retail Sales Volume
	1973 = 100	1973 = 100	1977 = 100	1977 = 100	Total	1980 = 100	1980 = 100
1978	236.2	235.7	106.4	106.3	105582	75.0	97.4
1979	271.3	271.1	107.9	107.9	95938	87.1	100.7
1980	321.2	321.0	108.1	108.1	91032	100.0	100.0
1981	373.8	372.6	104.4	104.2	104645	118.3	99.4
1982	419.1	419.8	100.0	100.2	72603	129.4	94.0
1983	468.3	469.2	101.1	101.4	61094	137.4	90.1
1984							
Quarterly Averages or Totals							
1981 I	346.2	344.6	103.9	103.6	35696	110.3	99.7
II	373.3	371.4	107.9	107.4	29306	114.0	98.3
III	383.8	385.2	104.9	105.5	32351	123.6	101.7
IV	391.7	389.2	101.2	100.7	7292	124.5	97.7
1982 I	393.3	390.6	99.3	98.7	28114	124.4	95.3
II	417.6	423.0	99.7	101.1	21223	125.8	92.1
III	424.0	423.6	99.1	99.1	14012	128.3	91.6
IV	441.3	441.9	101.6	101.8	9981	137.4	96.1
1983 I	440.6	440.8	98.9	99.1	29851	135.5	92.0
II	458.4	463.1	100.2	101.3	12255	130.2	86.1
III	476.3	475.9	101.2	101.2	12110	135.4	87.6
IV	497.9	497.1	103.9	103.8	6878	148.5	94.8
1984 I	502.3	503.0	102.4	102.6	19263	139.8	87.5
II					18239	143.9	88.7
III					11628		
IV							
Quarterly Averages or Totals Seasonally Corrected							
1981 I	351.6	351.2	104.8	104.7	24606	110.9	99.8
II	370.7	367.2	107.6	106.4	26125	115.6	100.2
III	383.6	388.2	105.3	105.6	35435	122,5	101.3
IV	388.6	388.5	100.1	100.2	15409	121.6	95.1
1982 I	399.5	398.2	100.3	99.9	18983	125.0	95.4
II	414.5	417.6	99.39	100.1	18744	127.5	93.8
III	424.0	422.2	99.4	99.2	15875	128.5	91.8
IV	437.8	440.6	100.6	101.3	18741	134.0	93.5
1983 I	447.5	449.5	99.9	100.4	19728	135.8	91.8
II	454.9	456.9	99.8	100.2	11167	132.5	88.1
III	476.3	474.7	101.6	101.4	13774	135.8	88.3
IV	494.0	495.3	102.8	103.3	14612	143.2	91.2
1984 I	510.1	513.0	103.5	104.1	12559	140.0	87.3
II.					16426	146.4	90.8
III					13399		
IV							

Government			Monetary Developments				
23	24	25	26	27	28	29	
Current Revenue	Current Expenditure	Current Deficit	Money Supply M3	Licensed Banks Domestic Credit Government	Non-Gov.	External Reserves	
£m	£m	£m	£m End Period	£m End Period	£m End Period	£m End Period	
2023	2421	398	4248.8	902.6	3475.2	1251.9	1978
2384	2905	521	5044.3	1005.9	4350.5	974.7	1979
3155	3708	553	5939.3	1132.6	5050.7	1346.0	1980
3973	4796	823	6972.7	1277.4	6053.6	1473.1	1981
4908	5896	988	7876.0	1564.7	6677.4	1594.0	1982
5711	6671	960	8667.2	1775.7	7570.9	2014.8	1983
							1984
Quarterly Totals			Monthly Totals				
871	1076	205	6147.6	1124.1	5381.7	1322.7	1981 I
936	1188	252	6369.8	1201.5	5511.6	1191.7	II
970	1245	275	6679.9	1217.8	5785.0	1071.8	III
1196	1287	91	6972.7	1277.4	6053.6	1473.1	IV
1044	1437	393	7098.2	1334.1	6366.8	1406.0	1982 I
1176	1474	298	7141.8	1369.9	6347.9	1464.6	II
1184	1457	267	7498.7	1510.7	6458.1	1521.0	III
1505	1534	29	7876.0	1564.7	6677.4	1594.0	IV
1220	1646	426	8008.2	1499.9	7046.5	1235.1	1983 I
1405	1654	249	8109.2	1638.4	7057.4	1343.2	II
1440	1560	120	8204.9	1749.7	7430.1	1914.4	III
1646	1811	165	8667.2	1775.7	7570.9	2014.8	IV
1290	1719	429	8757.3	1831.2	7704.6	2117.7	1984 I
1516	1684	169	8897.4	2142.4	7885.5	1952.0	II
1457	1715	258				1875.0	III
							IV
Quarterly Totals (S.C.)			Monthly Totals (S.C.)				
905	1067	162	6087.5	No	5241.3	1291.8	1981 I
954	1173	218	6404.1	Seasonal	5483.8	1268.9	II
1016	1290	274	6679.3	Pattern	5729.4	1076.7	III
1074	1033	200	6814.0		6016.9	1352.6	IV
1108	1419	311	7037.9		6194.7	1375.1	1982 I
1191	1459	265	7184.3		6317.5	1554.7	II
1237	1504	267	7513.7		6403.4	1528.6	III
1074	1518	179	7683.8		6625.6	1463.7	IV
1313	1619	305	7949.2		6851.6	1208.5	1983 I
1417	1641	220	8172.1		7027.2	1424.4	II
1502	1616	111	8212.0		7368.8	1920.2	III
1462	1795	338	8457.1		7501.5	2084.7	IV
1401	1688	287	8689.5		7469.8	2119.6	1984 I
1526	1665	145	8960.0		7855.9	2039.7	II
1516	1777	261					III
							IV

	Visible Trade Indicators					Exchange Rates	
	30	31	32	33	34	35	36
	Imports (Value)	Exports (Value)	Import Excess (Value)	Imports (Volume)	Exports (Volume)	Effective Index	Sterling
	£m	£m	£m	1975 = 100	1975 = 100	Dec. 1971 = 100	Per IR£
1978	3713.1	2963.2	749.9	148.8	134.8	77.57	1.0000
1979	4817.5	3501.1	1316.4	170.3	146.5	77.08	0.9646
1980	5419.6	4130.9	1288.7	162.6	158.9	74.01	0.8862
1981	6578.4	4777.6	1800.8	166.0	158.3	67.75	0.8002
1982	6812.3	5687.9	1124.4	160.3	169.8	67.35	0.8125
1983	7355.0	6936.0	419.0	165.3	190.2	65.13	0.8222
1984							
Monthly Averages							
1981 I	511.7	339.6	172.1	162.7	144.1	67.24	0.7686
II	557.2	405.5	151.7	169.6	162.0	66.57	0.7730
III	572.6	419.4	153.2	170.4	161.8	67.85	0.8177
IV	549.4	450.7	98.7	163.4	170.3	69.32	0.8407
1982 I	597.7	411.2	126.4	172.8	153.3	67.71	0.8126
II	589.5	503.7	85.8	167.1	180.7	67.72	0.8171
III	532.5	475.0	57.5	147.6	173.2	66.88	0.8022
IV	550.8	506.5	44.3	151.7	176.3	67.10	0.8185
1983 I	585.8	471.5	114.3	167.1	164.8	69.46	0.8943
II	592.1	575.8	16.4	163.8	192.6	65.14	0.8171
III	602.4	606.8	−4.4	157.8	195.6	63.28	0.7894
IV	673.2	658.9	14.3	172.7	207.6	62.74	0.7896
1984 I	744.3	653.9	90.4	186.2	203.8	62.58	0.7951
II	701.4	769.9	−68.5	174.1	236.5	62.56	0.8097
III	695.0	723.3	−28.3			61.86	0.8143
IV							
Monthly Averages. Seasonally Corrected.							
1981 I	504.1	361.0	143.1	158.7	154.8	No Seasonal Pattern	No Seasonal Pattern
II	537.6	406.9	130.7	164.0	160.4		
III	597.7	414.2	183.5	179.1	160.5		
IV	555.4	434.0	121.4	164.0	162.6		
1982 I	586.8	436.4	143.9	169.7	163.4		
II	573.3	500.5	72.8	163.7	181.3		
III	547.4	468.8	78.6	152.0	165.4		
IV	567.1	488.2	79.9	154.5	167.9		
1983 I	570.6	507.7	62.9	163.6	176.2		
II	577.3	565.9	11.4	160.9	191.1		
III	620.6	601.3	19.3	162.5	194.3		
IV	690.2	641.3	48.9	175.5	200.6		
1984 I	722.4	711.6	10.9	180.3	218.8		
II	686.4	741.6	−55.2	170.7	229.6		
III	710.2	711.8	−1.6				
IV							

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