

IRELAND 2020

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I was greatly honoured by the Royal Irish Academy's invitation to deliver last Spring a Discourse under the title 'Ireland 2020'. That honour was compounded by the invitation to speak on the same theme on this occasion marking the 10th Anniversary of the Inaugural Plenary Meeting of the North/South Ministerial Council here in Armagh.

Much of the original text remains but I have taken the opportunity to revisit it in the light of further reflection and subsequent developments.

At that first Plenary Meeting, both sides looked forward to the role the Council could play in developing consultation, co-operation and action within the island of Ireland on matters of mutual interest. Facing into its second decade, the challenge for the Council is to exploit this potential to the full. Both parts lose out when instances of market failure which prevent island-wide synergies remain undetected or neglected. Likewise when, in an era of constrained resources, services are needlessly duplicated and resources thereby, in effect, wasted. In many instances the island will more easily achieve world-class excellence in key areas through combined, rather than by separate, effort.

Given proper accountability to the Assembly and the Dail, no-one loses by extracting every ounce of value from our geographical propinquity. World-wide these days, the big themes and opportunities transcend borders.

Widening the angle of the lens provided when the Council meets in sectoral format, the Council in Plenary mode has the ability to scan across the board what is happening in both parts of the island and see whether there are issues which, if viewed in an island perspective, are more amenable to successful development and resolution.

I wish the Council well as it addresses that challenge.

Looking a decade ahead is difficult enough even during periods of relative stability. But the difficulties have been compounded by the cognitive fog which was created by the world economic and financial crisis. Paul Krugman captured the moment well when he wrote:

'I'm tempted to say the crisis is like nothing we've ever seen before. But it might be more accurate to say that it's like everything we've seen before, all at once'.

The world will surely change, but how? And how can Ireland, North and South, position itself for whatever the configuration of this new world may be?

While I was preparing the speech, there were cautionary voices whispering in my ear. 'It is not wise', said Keynes, 'to look too far ahead; our powers of

prediction are slight; our command over results infinitesimal'. As ever, that great baseball – playing philosopher Yogi Berra was also to the point: 'It's tough to make predictions, especially about the future'. To add to my discomfiture, there was the Arabic saying that 'those who claim to foresee the future are lying, even if by chance they are later proved right' – which probably puts me in a 'no win' situation, whatever I say.

I wondered at times why a historian (even an erstwhile one like myself), whose stock in trade is retrodiction, was busying himself with prediction. But then Marc Bloch rationalised it for me. The historian, he said 'attempts to transport himself, by a bold exercise of the mind, to the time before the event itself'. Here was I, challenged to think about a future which had still to happen, without the burden of hindsight. There can of course be no prediction, only an attempt to see how the elements of continuity and contingency might play out to shape the context from which Ireland 2020 evolves.

MEGA ISSUES

Let me then first of all remind you of some of the mega issues at global level which wait impatiently in the wings as the world economy seeks to set itself to rights. Many of them are unfolding over time and mobilising intelligent evasive action now poses a challenge for political institutions across the globe. Can democracies whose voters find it difficult to think long-term and who prefer gratification to painful sacrifice mobilise the necessary social effort? Or will the soft options crowd out the hard choices?

There are at least four such broad mega issues.

First, climate change. We are living in what has been termed 'anthropocene', the first geological age of our own making, in which for two centuries we have been conducting a reckless experiment with the planet, which risks triggering cataclysmic climate change. It is to be hoped - though the run-up to the Copenhagen Conference provides ominous indications to the contrary – that a positive outcome of the sheer fear engendered by the current economic and financial crisis would be the creation of a more conducive context for effective action. People have seen what happens when the wildcard scenario becomes a reality.

Second is the uneven distribution of the world's resources – water, oil, food, minerals – and the mismatch between their distribution and the centres of geopolitical and geoeconomic power. Technically induced yield increases in food production are levelling off. Oil is already moving towards peak production. All this at a time when the world's population, at 9 billion, will be 50% greater by 2050.

Third is the greying of the world's population. The IMF has said that, notwithstanding the large fiscal costs of the present crisis, 'the major threat to long-term fiscal solvency is still represented, at least in advanced countries, by unfavourable demographic trends' – and those trends kick in quickly. So far as the Republic is concerned, the pace of structural change is modest up to 2020 but thereafter accelerates. By then the ideas and measures to head off crisis will need to have been developed, particularly since such a high

proportion of the retiring workforce will have no, or wholly inadequate, pension provision.

Fourth is the ever-present threat to global security, as ill-designed measures to counter the threat risk radicalising potential new recruits to the cause.

Ireland 2020 is therefore likely to evolve in a world where the tensions and the uncertainties generated by all these mega issues will increase rather than diminish.

THE PRESENT GLOBAL CRISIS

Even more important in the short term, however, is the outcome of the great experiment which the world is conducting as it attempts to moderate the consequences of the present economic and financial crisis. As the bubble of activity pumped up artificially by an irresponsible orgy of credit creation by the financial sector has deflated, Governments have reacted with unprecedented monetary and fiscal stimuli, resulting in a massive increase in the indebtedness of Governments. That bubble, too, will have to be deflated, in order to reduce the share of tax revenue consumed by interest payments on Government debt, which pre-empts public spending for other purposes.

The IMF calculates that to get Government debt down to reasonable levels over the next decade across the G20 nations as a whole, it will take spending cuts and tax increases equivalent to about 8 percentage points of GDP. We should remember, of course, that this formidable task will be attempted from a GDP platform which will already be 8 or 9 percentage points lower than if the great contraction had not occurred.

Statistically, all the major economies except the UK and Spain have now resumed growth. It is problematical, however, how far the growth represents the revival (albeit still very weak) of the private demand on which sustainable recovery depends or whether it is simply a temporary boost delivered by the stimuli. Firefighters are fine for trying to light a pile of damp wood but the world's (certainly the UK's) stock of firefighters is close to exhaustion.

If, for example, Quantitative Easing in the UK reaches £200 billion, this is equivalent to 13% of GDP. And billions have been poured into the financial sector but it still shows substantial signs of dysfunctionality.

The issue therefore is whether the flame sputters out, prolonging contraction, or whether growth gathers momentum. It is anyone's guess how adept Governments will prove in devising – and co-ordinating – their exit strategies. According to some experts, it could be 5 or 6 years before the world economy starts punching again at its potential level of output. Much of the next decade, as Ireland moves towards 2020, will be spent regaining lost ground. It has been estimated, for example, that in the Republic, output and incomes in 2010 will average levels last seen in 2003/2004.

A remarkable feature of the current crisis is how many of the assumptions and institutions which underpin the global order and its national manifestations are being tested and found wanting. One can only hope that the admonition of President Obama's Chief of Staff that 'a crisis is a terrible thing to waste' will be heeded. It would be tragic if, as the great contraction moderates, there were to be a loss of political momentum towards radical reform.

People are rereading Adam Smith and discovering that, often portrayed as the champion of unfettered markets, he has been a victim of the facile reductionism to which humankind is so prone. As Professor Amartya Sen says, it is difficult to carve out from Smith's works any theory arguing for the sufficiency (as distinct from the necessity) of market forces. The notion that the public interest is best served by individuals pursuing their own selfish interests within an unregulated or only lightly regulated free market system has taken a severe beating. And yet only a couple of weeks ago the Economist could assert that the corporate world needs its flamboyant visionaries and raging egomaniacs, the outsized figures who have changed the world and who feel no need to apologise for themselves or their calling. The financial sector certainly had its fair share of these.

Some fundamental questions are being asked, such as whether, given the risks to the planet, the endless economic expansion of already developed countries is really a wasteful elaboration of the global economy. Books are being written about how consumerism and gross income inequality harm societies. It is indeed argued that rising income inequality had a role in creating the crisis, not least in the US, where those receiving a diminishing share of national income made up for the deficiency by unsustainable borrowing on the back of appreciating house values which were part of the bubble phenomenon.

Few are proposing or predicting the demise of capitalism – and, surprisingly, left-wing parties have not been the beneficiaries of the crisis - but many are urging the need for a new understanding of what capitalism means, on the basis that it may be capitalists who are culpable rather than capitalism itself.

The crisis has prompted a discourse about values, which should become increasingly interesting as decisions have to be taken by Governments on how the burdens of dealing with the consequences of crisis should be shared. The old-style political debates about ideas and ideals which had latterly disappeared as parties vied for the centre ground and created the “big tent” politics which was more about gaining and retaining power than anything else are resurfacing. It is a long time since the political choices have been so difficult or so important.

The changes induced directly or indirectly by the crisis, insofar as over the next decade they affect consumer behaviour, the strategy of companies, the nature of banking and markets and the pattern of global trade and investment flows will be vital for Ireland 2020. Ireland's opportunities over the next decade will be significantly enlarged or diminished, depending on the kind of global environment which emerges from the current crisis.

Protectionism, leading to a severe shrinkage in world trade, would clearly be very damaging for Ireland. However, the existence of global supply chains, with many countries involved in steps in the process of production, entails a degree of interdependence which probably acts as a check on widespread protectionism by the major players. Whilst some barriers have gone up, the risks from this source seem to have receded, though they could return if the hopes for recovery were dashed.

But I have an uneasy feeling that the world's renewed commitment to open markets has been too blithely given. The stance of the US and its new administration is pivotal and the warning signs are already out. In what is likely to be a difficult jobs climate – with unemployment now over 10% - will the US be content, right across the board, (in any new clean technology industries, for example), with the amount of value-added which is retained at home? Keeping jobs at home for American workers could become a vote winner.

THE FINANCIAL SECTOR

Turning specifically to the financial sector, it was understandable that there should be cynics disposed to believe that, after a decent interval, everything would revert to the status quo ante. But it has now been demonstrated that a malfunctioning financial system – or non-system – where the ability to innovate has far outpaced the capacity to manage, can be as devastating, in its own terms, as any global pandemic. The current crisis is serving as an invaluable laboratory for analysing risks and devising remedies and one thing that is certain is that future regulation will need to be as intrusive and holistic as is necessary to be effective. Governments are becoming bolder. One commentator put it succinctly: 'Open-ended insurance of weakly regulated institutions that take complex gambles is intolerable. We dare not return to business as usual. It is as simple – and brutal – as that'.

It is recognised that even improved regulation may be an insufficient curb and that structural change may be required. There is now, for example, a growing demand for banks which will simply function as utilities – as uncomplicated, old-fashioned financial intermediaries, dealing responsibly with responsible customers. The Governor of the Bank of England has lent his powerful support to the case for hiving off banks' 'casino' functions.

It would be a welcome development if investment banks were to concentrate less on behaving as businesses in their own right (and using their balance sheets accordingly, often in high-risk trading activities) and focus more on supplying services and advice to clients, reflecting an increasing preponderance of customer – generated business. Such capacity may be more constrained in its freedom to locate. There is an attempt to draw the shadow banking sector – what has been described as the 'provisional wing' of the industry – into the regulatory net, on the basis that there must be no hiding place for those who could contaminate the system.

There are ideas for also obliging the industry to contribute to an insurance scheme, which might give the more prudent institutions an incentive to back a tough regulatory regime which makes rogue behaviour by their more irresponsible colleagues less likely.

To the extent that high risk, high return activities contract in the industry, it could be expected to be less profitable and it would be surprising if those generating exceptional returns did not arouse the interest of regulators keen to confirm that their business models and modus operandi were sustainable.

It is too early to say whether the era of the global megabanks, all things to all men, is gone – exposed perhaps as monsters too complex to manage and too

big to fail without catastrophic consequences for a worldwide web of counterparties. Shareholders may be more wary of companies' global ambitions. It will be important that the global regulatory architecture should remove any occasion for regulatory arbitrage on the part of mobile institutions and in any event cautious national regulation may encourage a concentration on national markets. That would clearly not be to the advantage of countries which have majored on financial services.

Overall, on the new model, there is simply too much capacity in the industry, certainly in the developed world. A lot of the financial innovation of the last decade was a waste of everyone's time and energy. UK Financial Services Authority Chairman, Lord Turner, has said bluntly that 'Wholesale financial services grew to a size unjustified by the value of its service to the real economy.....' There is therefore likely to be less of a financial industry to go round.

The new configuration of the financial sector will of course, as all major structural changes do, reveal new opportunities. There are, for example, early signs of a movement to push as much as possible of trading in securities on to adequately resourced clearing house-based exchanges, thereby creating the very necessary transparency which gives assurance to both buyers and sellers. The regulatory regimes will also want access to expert systems, software etc. – another opportunity.

Clearly the Republic could be significantly affected by whatever happens in relation to the factors I have described. Success in preserving as much of the existing capacity as possible and exploiting new opportunities will therefore be important for the strength of the economy in 2020. Likewise, for Northern Ireland, which plans to enhance its presence in this sector, coming successfully to terms with the new configuration of the sector will be crucial.

A final word on the financial sector. The really massive issue raised by the current crisis is the role of the sector. To regain public legitimacy, it must surely revert more to the socially useful role of supporting the real economy rather than enlarging itself by self-serving activities of the kind which produced the present débâcle. Facilitating and riding an asset boom detached from economic fundamentals or merely recycling risk takes the sector far from its *raison d'être*. A bloated financial sector may be good for boosting tax revenues and the pay packets of the fortunate few but those countries (particularly the UK) which hosted the sector and acted as its cheerleader (and unbalanced their economies in the process) are paying a high price. More people are now seeing bankers' bonuses as symbolic of the larger issue of the financial sector's profitability, which bears no relationship to value added in terms which the real economy would recognise. Hopefully the debate around these fundamental issues will take centre stage as time goes on and the impact of the bank rescue measures on future public expenditure and taxation levels hits home.

There is always a risk that corrective action will overshoot, though it is probably better that it should do so than that the acrobats and jugglers of the financial circus should be let loose again. What is at issue is ensuring – no more and no less – that the creative dynamism of capitalism does not become so unruly as to imperil the public good, as it clearly has done. No more reckless growth and unchecked ambition.

GLOBALISATION REVISITED

Along with many other shibboleths, the glib espousal of laissez faire globalisation has taken a severe knock. Clearly the clock cannot be turned back – nor should it be – but the flaws in the present model have certainly been starkly exposed.

I refer of course to the emergence of a situation where the East saves and the West spends. 47% of the output of the Asian economies is now accounted for by exports compared with only 37% 10 years ago and the huge surplus generated in the East has flowed out to pump up the West's spending. The USA has been absorbing at peak an astronomical 70% of the rest of the world's surplus savings – a process which has not unreasonably been called the biggest foreign aid programme in world history, with the developing world (by a strange quirk) in the role of donor.

The unsustainability of these global imbalances is now revealed and many argue that the US economy must shift towards being more export-oriented. It is reckoned that a substantial depreciation of the dollar (and it is of course now happening) would be the necessary ingredient of such a transition. Indeed, without this shift the US will not achieve the right kind of recovery.

Correspondingly, China would have to review its export-led model of economic growth and rely more on domestic consumption – a transition which its own policymakers acknowledge is in any event necessary for domestic reasons. It would also create market opportunities for a world over-dependent on US demand.

Working through these transitions, with their implications for trade and investment flows and currency markets, would provide the dynamic for the emergence of Globalisation Mark II.

It would not be surprising if this new model was characterised by economically integrated zones doing much of their trading within the zone. If the European Union, why not the Asian Union, for example?

The political hurdles are daunting but Europe's were equally so. There may come a tipping point in the development of countries within a putative Asian Union when the synergies from intrazonal relationships become compelling and Asian demand majors as the main driver of the regional economy. A more zonal configuration for a multipolar world would in effect be a reversion to the model of earlier centuries.

Significantly, a major global bank has recently announced that it is increasingly targeting intra-Asian business, reflecting the rapid growth of trade between the countries of the region. The bank's traditional approach would have been to help Asian companies to go abroad or to help US companies to locate in Asia.

The intriguing question is how the Western economies would organise themselves in the context of Globalisation Mark II, particularly as zonal incomes worldwide levelled and sourcing decisions based on cost arbitrage became largely irrelevant. Might the hollowing out of the manufacturing base be halted and even reversed, with a return to more healthily balanced and less vulnerable economic entities?

It has been suggested that if, following the credit crunch, the supply of cross-border finance contracts, companies may wish to relocate their supply chains closer to home – nearshoring rather than offshoring.

As I have stressed throughout, the implications for Ireland of a newly configured world economic order would be enormous.

EUROPE

The European Union is being stress-tested by this crisis as severely as any institution and it may indeed be pertinent to ask whether it has the requisite institutional structure to deal with a crisis like the present.

In a world where the barriers between monetary and fiscal policy are coming down and it is clear that, to achieve coherence in policy making, both have to be carefully co-ordinated, there is no overarching Treasury authority in Europe which can act as policy counterpart to the European Central Bank. The 3% of GDP limitation on budget deficits is as close as one gets to a proxy for a central fiscal authority to ensure that members' profligacy does not threaten the viability of the currency. But the difficulties experienced by some members in the current crisis suggest that, for such a constraint to be effective, it is necessary to dig beneath the aggregate numbers, see whether the underlying fiscal model is sound and enforce the necessary corrective action. That has implications for national sovereignty but the alternative is to allow things to go wrong and leave the unfortunate member to sort it out. That may serve if the member is a small state but it could prove damaging to the very existence of the Eurozone if it were one of the larger members. A Eurozone equipped only with monetary functions has been unkindly described as akin to a one-legged man auditioning for Tarzan.

The crisis has revealed the divisions within Europe. There are large gaps in competitiveness between member states. In some, unit labour costs soared by over 20% in 10 years, whilst Germany's rose by around 5%. There were doubts before the Eurozone was established whether there was sufficient convergence between prospective members but it was argued that the discipline of membership was precisely what was needed to prompt the adjustments required to produce convergence. This has not happened and the crisis has exposed the cracks.

There are therefore challenging questions for Europe. Will the crisis strengthen the centripetal tendencies and sharpen the focus (particularly by Germany) on more effective crisis prevention (perhaps even to the extent of putting erring economies on 'credit watch') in order to reduce the vulnerability of the Union and protect the credibility of the Euro? Or will national governments, on whom the burden of crisis management has largely fallen, seek greater discretion? There is bound to be a major debate around all this, which the EU has in effect put on hold until the storm blows itself out. Will the reverse suffered by the Anglo-American capitalist model make it more likely that the pace of liberalisation of markets in the EU (not least for services) will slow?

Another intriguing question is how long Eurozone countries will continue to be so polite about the depreciation of sterling, which, again, is an acute concern

for Ireland – described indeed by Mr Lenihan as ‘competitive devaluation’. Article 124 of the European treaties requires exchange rates to be treated as a matter of common interest.

How these questions – and many others – are answered will reveal whether the crisis has brought member states closer together or driven them further apart. A significant test will be whether, in the interests of encouraging (but removing the risks inherent in) an active single financial market, the EU can devise a uniform approach to an effective regulatory regime (including pay) and to whatever structural changes are needed. And the EU is an obvious regional unit for the creation of a sector-funded insurance scheme, membership of which would be obligatory for those wishing to operate in the EU.

It can be argued that Eurozone membership exaggerated Ireland’s boom and compounds the difficulties of dealing with it. Certainly the crisis obliges all members to weigh up whether the benefits of membership outweigh the costs. For small countries like Ireland, which would probably have found it impossible to defend independent currencies, this, as well as the abundant liquidity which the European Central Bank could put at the disposal of the Irish banks, could well be the defining factor, offsetting the loss of devaluation from the weaponry available to address difficulties. The history of the Eurozone to date shows that one interest rate suits all works only within a context where the steps necessary to counter its adverse effects are resourcefully deployed. The crisis has also demonstrated that the Eurozone offers no protection against credit risk. But, unless the centripetal tendencies win out, there will be no arrangements for pooling the funding requirements of all the member states.

The course taken by the EU project on all the issues discussed here is bound to be a major influence on how Ireland goes forward towards 2020.

NORTHERN IRELAND

I should like to shift the focus now to the island itself, looking first at the North.

Viewed clinically, the Good Friday and St Andrews Agreements did not alter the underlying reality of a clash of allegiance. Northern Ireland remained, in Seamus Heaney’s arresting phrase, ‘a place that is patently riven between notions of belonging to other places’, uneasily poised between new hopes and old enmities. Rather, it was agreed to differ and to get on with the business of government within a set of procedural norms designed to protect the interests of both communities. That could lead, in the words of one commentator, to something which is no more than ‘a loveless but workable political co-habitation’.

It is therefore easy to experience a degree of euphoria over some of the positive features of the two and a half years since the re-establishment of the Executive. For much of the time there is a mutual civility there never was before, even when the parties have serious disagreements.

Equally positive has been the cordiality of North/South relations. It is now more generally recognised that practical co-operation North and South to mutual benefit is simply common sense.

The killing earlier this year of two soldiers and a policeman furnished the acid test of the durability of the new arrangements. All parties stood shoulder to shoulder in a display of what was genuinely united leadership. Loyalist leaders spoke of the need for both communities to support each other and to avoid the trap of intercommunal violence. And of course since then there has been welcome progress on Loyalist decommissioning.

All of this – and far more – illustrates the seachange which has occurred and on which all the players are to be warmly congratulated. I believe that Northern Ireland now has the ability to transform itself – but only if we set the bar high and deliver on a truly challenging agenda. You will recall Dr Samuel Johnson's remark about a woman preaching being like a dog walking on his hind legs: 'It is not done well; but you are surprised to find it done at all'. If that is the verdict on the North in 2020, we shall have failed miserably. We are well past the point where we should be defending the new dispensation on the grounds that peace, however imperfect and under threat, is better than the war that went before or that devolution is superior to Direct Rule, valid though both these points are.

First, but vitally important, we must accept each other as we are. A senior Sinn Fein figure was earlier this year reported to have described IRA activists who were killed as 'decent, selfless and honourable'. Another described the IRA's armed struggle as having 'a moral basis'. Unionism would be equally clear about the legitimacy and moral basis of the actions of those who opposed that struggle. For either to expect the other to do otherwise is surely unrealistic. The test for each is their willingness to transcend the past.

It must also be important (in Walter Bagehot's words) not to regard the new institutions as 'a grand and achieved result' but rather as 'a workable and changeable instrument'. Even the US Constitution required subsequent amendment. Our governance structure undoubtedly ranks high as a clever political construct but it requires the expenditure of a lot of effort simply to sustain itself. Its logical credentials are impeccable. It works in theory. But does it work in practice? The real test is whether it can force the pace of change during this crucial period of transition by producing cohesive, decisive government.

In voluntary coalitions, the parties have no option but to compromise their positions as part of the political bargain which gets them into power. Once there, they have to hold together for survival, even though, behind the scenes, they may behave (again in Walter Bagehot's wonderful phrase) 'like a rather disorderly board of directors'. The diffusion of power within Northern Ireland's arrangements for mandatory coalition frustrates the development of such a system. How, for example, in the interests of collegiality, does one reconcile the existence of a powerful 2-party Office of the First and Deputy First Minister which (viewed from the outside) seems to act as the hub of government and the role of the 4-party (perhaps soon to be 5-party) Executive?

And yet the Executive, like any cabinet, has to arrive at a consensus on issues which need its endorsement and there clearly exists the possibility that it may not be able to do so (as, indeed, has proved to be the case). It may be that in stipulated circumstances where vital matters are concerned there have

to be arrangements for a plebiscite to decide what the parties, despite best efforts over a reasonable period, have been unable to decide.

Of course, the more our parties' contours cease to be tribal and they become a cross section of the population at large, held together only by the support they engender for the policies they espouse on economic, social, environmental etc issues, the wider the range of options for our system of governance becomes, with the prospect of what is described as 'real politics' finally moving centre stage.

It can be argued that we are seeing more now of that kind of politics. But when the chips are down, the old politics continue to loom large, since they are the greater part of the *raison d'être* for the present party structure. It is often said that the constitutional position was settled by the Good Friday Agreement. But the Agreement merely indicated the circumstances in which the constitutional position could be altered. It would, of course, be by consent, but so long as there are those who wish to mobilise support for change and those who wish to argue for the status quo, the old politics will inevitably come to the fore.

It will be evident from these remarks that, whilst wholly supportive of the new dispensation ushered in by the Good Friday and St Andrews Agreements, I share the growing unease (voiced even by political parties of different hues) as to whether devolution is working. The more widespread the perception of dysfunctionality becomes, the greater the danger that the very foundations of the new dispensation will be called into question. It might therefore be prudent for a high-powered, independent, external review to be commissioned now of the practical working of the present machinery of central government and its governance structures, to see how, without prejudice to the fundamental principles informing the Agreements, they might be made more effective. Such a review should also take in the roles of the civil service and special advisers in relation to the functioning of the machinery of central government.

Parties are not only the servants but the architects of public opinion. They can do much to develop a vision and excite a sense of possibility. But we also need to know how, in very practical terms, to accomplish the big changes. Experience in Northern Ireland shows that, where success has been achieved, there was in each case project management of a high order: there was a firm commitment to the need for change; a structured approach to the analysis of the problem, leading to firm recommendations for action; and a determined programme for delivery. The Patten project on policing is an obvious example. There are, in addition to the economy, to which I turn later, at least three issues that need to be similarly grabbed by the neck in this way (perhaps, again, by means of a dedicated Commission), given priority attention, and not let go until they are resolved. If we are still talking about them in 2020 – other than in terms of victory gained over doughty foes – we should hang our heads in shame.

The first is the lack of community, the separation (often the ghettoisation), which still characterises so much of our society, despite survey findings that a majority of both protestants and catholics would prefer to live, work and have their children educated in mixed environments. It is seen in its starkest form in the interface barriers, about half of which have been built, extended,

heightened or strengthened in the last 15 years. Segregated communities become echo chambers, where only the views of the like-minded are heard and people wall themselves off from topics and opinions they prefer to avoid.

Research has shown how high the resource cost of living apart is. And it poses a dilemma for policy makers. Do you accommodate the present reality of segregation, which may perpetuate it, or do you devise the means to engineer change?

This is a huge topic but community building is, in the end, even more important than political management since it is the precondition for political stability.

The second issue to be grabbed by the neck, not unrelated to the first, is disadvantage and poverty. A post-conflict settlement which does not deliver real improvement for communities, many of which were at the heart of the conflict, is taking chances with the future. There is a whole complex of social issues that put down ever deeper roots into disadvantaged communities, where as many as 60% of those of working age have no connection with the labour market – and this at a time when we have been so reliant on immigrant labour. These issues have to be holistically addressed rather than lost in the main flow of a variety of departmental programmes. This nut is still far from being cracked.

I single out Education as a key aspect. This is an area where social and economic policy objectives converge. It is a powerful predictor of adult life chances and it is the essential underpinning of economic performance. Whether or not we have academic selection, the need to deal with the development of disadvantaged children and remove a major impediment to social mobility will remain. The barriers that hold poorer students back are built early. Elsewhere in these islands, although for the most part there is no academic selection, the correlation between class and educational underachievement persists. Northern Ireland will fall far short of its potential unless the multilayered measures needed to transform this situation are introduced and made to deliver the results which have so far eluded not only Northern Ireland but the rest of these islands.

The third issue is our cultural war. It has been well said that open conflict has been displaced on to disputes over symbols or ritual events which convey identity or mark out territory. The ultimate test of our coming of age as a community will be our ability to handle symbolic things other than as cues which bring to life an entire repertoire of memory.

Parading is critical in this context. I doubt the wisdom, as the most recent Review has proposed, of assigning various roles to local authorities and the office of the First and Deputy First Minister. Our political institutions are fragile enough as it is without imposing on them the burden of another highly contentious and divisive issue.

Not unexpectedly, I prefer the solution which emerged from my own Review seven years ago. I suggested that the Parades Commission should be replaced by a small professional conciliation function in order to give more weight and structure to efforts to broker agreements which avoided recourse to formal adjudication, with such adjudication, where necessary, being

undertaken by a Rights Forum operating according to the criteria set out in the European Convention on Human Rights. These parades disputes have always been represented by all concerned as being conflicts over rights so the European Convention would seem to be the obvious framework within which to resolve them.

The final challenge I want to mention before moving to the economy is the need to find a place for unarmed Loyalism. I believe a signal mistake of the peace process was to leave Loyalism largely on the sidelines instead of integrating it into the mainstream of issues requiring resolution. Loyalist leaders who are now seeking to manage a process of transformation need to be supported and, as the author of a thoughtful study of the topic has put it, absorbed further into the political apparatus of democratic practice in Northern Ireland, not left outside it or treated as incidental to it. The analogy is not of course exact but it was such an approach that facilitated republicanism's successful engagement with the peace process. The very positive assessment of the Conflict Transformation Initiative published a few months ago was most encouraging and demonstrates what can be done.

A recent study of the Bosnian experience by the Portland Trust says that 'a political settlement must be structured in a way that encourages the economic development of a vibrant private sector capable of sustaining high levels of employment and growth'. The political parties in Northern Ireland were fully conscious of this and devoted a great deal of attention in the final months before the return of devolution to preparing an economic strategy designed to get on to a new growth trajectory. The aim is to rebalance an economy where one in three jobs and two thirds of output are accounted for by the public sector and GDP per head has remained stuck at around 80% of the UK average.

However, the financial settlement made by London with the incoming Executive was extremely disappointing and, as far as resources for non-capital expenditure were concerned, contained little more than would have been available under the Barnett formula which governs the calculation of the Northern Ireland budget. Since the greater part of the budget is consumed by major ongoing services like Health and Education, there is on the face of it little flexibility for the funding of new initiatives. Resources could, however, be released if the costs attributable to a divided society, to which I referred earlier, were eliminated. We have a highly segmented publicly funded education system – controlled, maintained, integrated and Irish language schools. There is also over-capacity because of a dwindling school population.

The budget is also currently constrained by the Executive's decision to defer the introduction of realistic water charges and to cap for the present the amount recoverable by rates levied on property.

Whilst, therefore, the Executive does not have to deal with the policy issues which would arise if it had to raise taxes to fund public expenditure, it does have some opportunity to restructure that expenditure in order to enlarge its room for manoeuvre. This would obviously entail awkward decisions. But since it is virtually an all-party administration, the Executive, if prepared to act in a genuinely collegiate fashion, is better placed to take unpopular decisions

than most governments, which are at risk of being wrong-footed by their opponents.

I return to my earlier point about the need for the active project management of priority themes in public policy. Given the quality of inertia in budgets, it could be useful for Ministers to commission an independent, open-ended review of existing spending across the board, to see what options exist for radically reshaping programmes to release annually a significant sum for redeployment. The study could also include revenue-raising options, either under existing or new powers.

It would be necessary to get agreement from London that such a sum should be allocated to a Regional Fund – akin to a sovereign-style fund – which would be allowed to accumulate to the extent that it was not expended annually. It would be available solely for strategic purposes, not to plug holes in ongoing programmes, and the existence of the Fund would not affect whatever resources were due to Northern Ireland under the normal rules. The availability of such a Fund would put real power of initiative at the disposal of the Executive.

This proposal is fully consistent with what I have been arguing in various contexts – that, if devolved government is going to make a real difference in Northern Ireland, we need to have the measure of policy autonomy which is consonant with the *raison d'être* of devolution and commensurate with the Executive's responsibilities. Often (as in the proposal I have just made) this could be done without any detriment to the Treasury but where necessary we should be prepared to trade cash for flexibility. Local politics would acquire a new dimension.

Let me give just 3 examples.

My first example. The experience of the Republic demonstrates how Northern Ireland's ability to attract investment from the multinational powerhouses of the global economy would have been greatly enhanced by being able to offer them an attractive post-tax rate of return by a radical reduction in corporation tax. Trading off a small part of the subvention we get from the Treasury for such tax flexibility – a principle that could be extended if necessary elsewhere in the UK on similar terms – would signal a promising new direction in public policy.

My second example. A top corporate lawyer in Northern Ireland suggested recently that there should be a new capital gains tax relief programme for investors in trading businesses here, since the lack of access to capital for growing companies may be a barrier to growth over the next few years.

My third example. The merits of the UK Government's pre-Christmas decision to reduce the rate of VAT from 17.5% to 15% are highly suspect. Suppose we had had the option of keeping VAT at 17.5% and taking the cash equivalent of the resultant savings to the Exchequer in the form of an addition to our budget. Such a boost (probably of the order of at least £250 million) would have given the Executive some very real policy choices during difficult times.

So far as economic strategy is concerned, all I need say is that I believe Professor Barnett and his colleagues, in their recent report, have done a fine

job in recommending how the Northern Ireland economy can be set on a new high value-added, export driven trajectory. It is an excellent illustration of the point I made earlier about the value which can be added by an independent review. The only observation I would make is that it will be vital to make sure that the package which Northern Ireland can offer investors is internationally competitive.

I believe that the devolution project in the UK entails very little genuine decentralisation of authority. It amounts to little more than the local administration of local services, with much of the policy content formed within the national template. I would like to see us push out the boundaries of the project and acquire the freedom to devise the best policies and institutions for our own purposes within whatever financial envelope is available under the arrangements for devolved governments within the UK.

It could then be an exciting decade, informed by the vision of a confident, forward-focused, outward-looking, open, inclusive, fair, vibrant, prosperous society, unafraid of difference and diversity, eager for opportunity, challenging all the talents and impatient of the old obsessions. Ireland 2020 would be a very different place.

Getting from here to there will be far from easy. The early years at least are shaping up as an age of austerity, when Northern Ireland's fortunes, as part of the UK, will be affected by what the UK Government has to do to rescue the public finances. If its disproportionately large public sector has been shielding Northern Ireland whilst the Government seeks to spend its way out of recession, the opposite will be the case as the policy is reversed and the unbalanced nature of the economy denies us the full benefit of a revival of the private sector in the UK.

Focusing sharply on strategic policy priorities of the kind I have been discussing will therefore be vital if we want our economy and our society to take off in a different direction, bearing in mind that there is always a price to be paid for radical change.

THE REPUBLIC

I approach my consideration of the Republic's journey towards 2020 with diffidence, although I have been privileged, not least at an earlier stage in my career as Chairman of Ulster Bank, President of the ESRI and President of the International Trade Institute of Ireland, to observe at close quarters the unfolding of the economic miracle these past 20 years.

The immediate context is undoubtedly sombre, with the very severe general contraction of the economy, precipitated and exacerbated by the collapse of the construction boom, creating unemployment on a scale far beyond what anyone could ever have expected to see in Ireland again. At peak, towards the end of next year, the rate could be as high as 15%, some 50% above the EU average. In some years more than a third of the growth of the economy had been down to residential investment. About a quarter of the 650,000 new jobs created in the last 10 years have been in construction. When one also takes what is likely to be a less favourable demographic picture into account, it seems likely that much of that capacity will no longer be required.

Rather than dwell on the present condition, however, I want to focus on the potential for recovery, which tends to receive less attention in current debate.

Perhaps the most relevant questions for any consideration now of Ireland 2020 are: when will Ireland resume its growth trajectory and what are the factors which will influence timing and pitch?

It is difficult to see why the adjustments which are having to be made to the tax system should, per se, impede Ireland's return to growth. Before the crisis struck, the total tax burden as a percentage of GDP was well below the average for the European Union. With the collapse of the economic activity which supplied the buoyant revenue streams, a radical adjustment of the composition of tax revenues was inevitable, unless the spending which they funded was drastically curtailed. That, of course, has sparked a significant debate.

As tax on incomes comes to play a bigger role in the revenue system, the connection between the personal tax burden and the size of the public sector will become more transparent. This seems likely to prompt more debate about the role of the public sector and about the kind of social model, not least in respect of redistributive tax and transfer policies, which should shape it. It will be interesting to see how the social partnership arrangements accommodate themselves to a situation where so many of the issues are going to be the stuff of mainstream politics.

A major strength, going forward, is the business base created by the skill with which Ireland has carved out a role as a very attractive host location for foreign direct investment (FDI). Moreover, the big sectors have developed the critical mass to achieve positive agglomeration effects.

All areas of business are, of course, constantly mutating under pressure of technological change, market imperatives and competitive demands. Ireland is well placed to involve itself in timely fashion in the strategic rethink which all the major sectors represented in Ireland will be undertaking as the global economy is redrawn under some of the influences I discussed earlier. Ireland has been very open to developing new relationships and has been very successful in recent years in attracting R&D investment from major players.

There is no doubt that, post-crisis, companies will be particularly sensitive to cost pressures and these will inevitably in some cases dictate relocation of an operation presently based in Ireland. The aim must be to ensure that Ireland continues to have a significant presence on the global value added map of companies' operations.

Ireland's success as an export platform for goods and services is shown by the fact that, pre-crisis, although it accounted for only 0.5% of world output, it accounted for three times that proportion of world trade. Exports in 2008 totalled some €150 billion. The changing structure of the export platform is illustrated by the fact that the contribution of services to exports has more than doubled since 2000 and last year was over 40% of the total. Looking ahead, there is plenty of scope for increasing inroads into relatively new markets such as China, India, Russia and Brazil.

Exports have remained remarkably strong despite the contraction in world trade and are expected this year to be down by less than 2% in volume and 1% in value compared with 2008. However, those parts of the indigenous sector more reliant on the UK market have been hard hit by the depreciation of sterling.

At the heart of the phenomenon of the Celtic Tiger was Ireland's commitment to an export-driven growth model. Between 1997 and 2002 net exports more than doubled, whilst domestic demand went up by 40%. By contrast, net exports grew scarcely at all in the next 5 years, whilst domestic demand registered a respectable 32% increase. In other words domestic demand took over as the driver of economic growth. Most observers would agree that this was the point where things began to go wrong and that the economy now has to be rebalanced, with net exports again playing a key role.

There is no mystery about the conditions which need to be fulfilled in order to accomplish this.

Restoring competitiveness is key. Some of the deterioration since 2000 is down to the appreciation of the Euro but, even within the Eurozone, Ireland's unit labour costs rose fastest – by a third between 1999 and 2007. The recent reductions in pay levels will help but many commentators within the Republic believe much more needs to be done and that in any event the competitiveness issues go much wider, as the agenda for action set out in the recent reports of the National Competitiveness Council indicates. Speedy action on foot of the Competition Authority's reviews will also be critical.

Crucial, too, will be the successful implementation of its plans for Smart Economic Growth issued by the Government a year ago, designed to develop within Ireland Europe's best research, innovation and commercialisation ecosystem, making it an incubation environment not only for entrepreneurs within Ireland but also for the best from Europe and further afield.

All this will play an important part in integrating Ireland's indigenous companies more deeply into the global economy, exploiting better the spillover effects which such a formidable FDI presence in the economy can produce, with all this means for productivity enhancement. Ireland creating its own momentum, making its own waves, rather than surfing those created by others. This is also the thrust of the Barnett Report on the North's economy.

There are risks associated with the FDI and export-driven strategy.

Preservation of a favourable corporation tax regime will be crucial. Actions by the new US administration which would materially reduce its impact or by the European Union in the direction of harmonising the tax base or tax rates would be highly detrimental.

At least as important for both parts of the island as the treatment of companies' foreign earnings, will be the issue I mentioned earlier about the amount of value added which the US will be prepared to lose overseas. If it were to act so as to keep the higher parts of the value chain at home as the essential return on its investment in innovation, that would indeed have serious implications for FDI. President Obama's reported remarks about

making it easier for US companies to create jobs at home rather than overseas are unpromising.

What happens to exchange rates will also be important, since, unlike most of its European partners, so much of Ireland's trade is with countries outside the Eurozone. In 2008, 60% of goods exported went to destinations outside the Eurozone. Further depreciation of the dollar as a result of the rebalancing of the world economy, for example, would be a very unwelcome development. But as one who has long admired Ireland's leap into the front rank of the world's most globalised economies, I repose immense confidence in the powerful engine which that process has created. Fine-tuning and revving it up is as important as restoring the public finances since it is this engine which has to provide much of the traction to draw Ireland through the next decade. Nor should we forget the potential, throughout the island, of the tourist industry and also the agricultural and related sectors, which may well increase their contribution to economic growth, as problems develop for the world's food supply. Full advantage should also be taken of the potential offered by our cultural endowment and the global reach and recognition which it enjoys.

However, it will be necessary to create an exceptionally vigorous growth dynamic in order to haul the economy out of such a deep trough. Crises like the present have protracted consequences. All one can say with any confidence is that, as one of the most open economies in the world, the recovery in Ireland will be heavily dependent on the restoration of world trade and the resumption of robust FDI flows. But the revival of strong sustainable domestic demand will also be necessary to avoid persistently high net emigration and unemployment.

So the early years of the journey towards Ireland 2020 are likely to be very tough. Getting back on track will test Ireland's resolve to be as flexible as it takes to adjust to whatever the market conditions may be. Many political scientists would say that Ireland has the huge advantage of being a small country and therefore well endowed with the instinct for survival, able to share an understanding of what has to be done, and to focus single-mindedly on its delivery. The affirmative vote on the Lisbon Treaty and progress on the 'bad bank' National Asset Management Agency solution were huge steps forward, as will also be the emergence of a clear, decisive strategy for taxation and spending in the forthcoming Budget.

THE NORTH / SOUTH DIMENSION

How both parts of Ireland position themselves on the global business scene will be the key determinant of the pitch of the trajectory towards Ireland 2020. I go on to consider briefly how both can work together to good effect.

When, close to 20 years ago, in a speech in Dublin, I talked about the idea of the island economy and in particular developing a vibrant Belfast-Dublin corridor (described a few months ago by Taoiseach Brian Cowen as being now 'a powerful reality') it was regarded as a bold initiative, welcomed in some quarters, decried in others.

But there is nothing any longer new about the notion of the island economy. The goal now must be no less than to remove any hurdles or distortions which

prevent the island operating as fully as possible as a single market on both the demand and supply sides of the equation.

One distortion which may well persist is the existence of two currency regimes, which was an annoyance rather than a significant issue whilst the euro and sterling enjoyed a stable relationship but is now of course a matter of substance. Neither of the major parties in the UK seems likely to take the UK into the Eurozone and, that being so, no one has shown how to devise a single currency for the island. But, notwithstanding this there are, I believe, strategic ways of capturing during the next decade more of the synergies inherent in the notion of the island economy and taking it on to a new plane. The North-South Ministerial Council is the obvious forum for their elaboration.

First, energy. During a visit to Ireland earlier this year, Ulsterman and Harvard Professor Michael McElroy advanced the vision of an all-island wind-generated electricity system as an alternative to fossil fuels. This would give the island the ability to be an exporter rather than an importer of energy through good interconnection with the wider EU grid. This idea deserves to be thoroughly explored on a joint north / south basis not only for its relevance to energy policy but for the contribution it could make to Ireland's becoming an example of the green economy. I doubt if the full potential of the island as a single energy market will be realised without the creation of an all-island Energy Authority.

Second, understanding and accessing the global economy, as it develops in response to the influences I discussed earlier. This has relevance for the whole island and it would make sense to do it as a North-South collaborative project. More particularly, we need to be identifying the mega trends which will determine the pattern of manufacturing and services during the next decade. One thinks, purely by way of example, of topics as diverse as the problems of ageing populations, the convergence of biology and engineering to turn health care into an information industry, and the search for clean-technology solutions in its myriad manifestations. The new regulatory and compliance regime throughout the world will put a premium on innovative software solutions. It would be money well spent for North and South together to concert their efforts and to hire the brightest and the best to track developments worldwide and establish strategic relationships with a network of leading edge players.

Third, the interest of both parts of the island in further developing a system of innovation relevant to the new economy. This was analysed for the Republic in the document on Ireland's Smart Economic Growth framework and for Northern Ireland in Professor Barnett's Review. It would make sense to consider together if there are ways in which the very similar aims of both North and South can be realised by collaboration on aspects which would advance the purposes of both.

Finally - but these points are only by way of illustration – it is important to identify barriers which deny free rein to island-wide competitive forces, thereby ensuring that both parts of the island constitute a globally competitive production platform for goods and services traded worldwide. Neither part of the island does itself a favour by denying itself this ready to hand opportunity to move out of their respective comfort zones and to sharpen their competitive edge.

It would be perverse to condemn this island to a suboptimal future by refusing to recognise that its potential can only be realised as a shared regional space.

CONSTITUTIONAL ISSUES

I am moving towards the conclusion but it would be cowardly to dodge the issue of the constitutional configuration of Ireland 2020. Will it have moved beyond the 'agreed Ireland' reflected in the Good Friday Agreement? To do so would require consent for change in both parts of the island. I think most observers would conclude that recovering from the severity of the crisis and resuming a sustainable growth trajectory is likely to preoccupy the attention of the Republic for the foreseeable future. The North will be fully engaged in consolidating the peace process and developing the partnership of old adversaries into an instrument for radical transformation.

Both projects provide a testbed for vision and leadership. I venture to suggest that it is those who show their mettle in shaping such a prospect in this crucial next decade who will command attention for what they may say about the future constitutional position.

If there is ever to be a new constitutional configuration for the island, it seems to me that the form which has most prospect of winning consent is a confederal arrangement – in effect a joint and equal venture between North and South - but with each having its own separate parliament and executive. The powers to be exercised at the confederal level would be specifically delegated to that level and representatives of the two states would determine jointly issues of policy relating to those powers.

When the New Ireland Forum reported in 1984, it rejected the confederal solution in favour of a unitary state. This was a surprising outcome because its treatment of the confederacy option was extremely robust and sympathetic. For example, it said that a two state Ireland 'based on the existing identities, North and South, would reflect the political and administrative realities of the past 60 [now of course nearly 90] years and would entrench a measure of autonomy for both parts of Ireland within an all-Ireland framework. While protecting and fostering the identities and ethos of the two traditions, it would enable them to work together in the common interest'.

Inventive solutions – fresh concepts – would obviously be required, just as they were in the devising of the Agreements which underpin the current dispensation. The New Ireland Forum Report, for example, envisaged Unionists having parallel British citizenship and being able to maintain special links with Britain.

I developed this topic more fully in my RIA Discourse in the Spring. However, I assure you that my musings on it are no more than *jeu d'esprit*, certainly not *ballon d'essai*.

ENGAGING WITH THE PAST

I have suggested that inclusiveness and social solidarity must be the hallmark of the Northern Ireland of 2020. Skilful politics will not be enough to achieve it. How we deal with the past is also key, not least as we face into a decade

replete with occasions for commemoration – 1912 (the Ulster Covenant), 1916 (the Easter Rising), 1920 (the Government of Ireland Act, presaging partition). History is an issue not just for victims of the recent troubles but for society as a whole.

The two grand narratives which hold sway on the island traverse the centuries. They act (as it has been put) as a teleological sequence that legitimises present reality. They are the stuff of retro politics. One is a narrative of dispossession, oppression and national destiny unfulfilled. The other narrative, emerging from the 17th Century struggle for supremacy, has been described as a narrative which sees the past as ‘an endless repetition of repelled assaults, without hope of absolute finality or of fundamental change’. This siege motif occurs, for example, in the remarks by Conservative Party leader Bonar Law when he pledged support for resistance to the Third Home Rule Bill in 1912: ‘the timid have left you; your Lundys have betrayed you; but you have closed your gates’.

Neither of the great streams of Irish history had a consistent vision of an inclusive society. Both contributed to the development of confessional politics, with religion as the badge of identity.

The stories coming out of the recent troubles have to be seen in the context of those master narratives if they are to be fully understood. And exploring those narratives together could be one of the best ways to cross imaginatively the barriers between communities, I believe that, as Professor Richard English has pointed out, historians have a crucial part to play. As he says, they can erode the notion that one’s own sectional and contemporary view of the past is the only truly valid one. And, very importantly, the historian can demonstrate the contingency rather than the inevitability of our past so that political responses can be made with an awareness of the importance and the range of the choices in which we can all participate.

Whilst strictly adhering to Michael Oakeshott’s dictum that ‘History is what the evidence obliges us to believe’, one could, for example, examine for Ireland the enabling moments, the lost opportunities, the occasions when outcomes betrayed intentions. Even defining those terms would open up the whole subject.

The historiographical currents which swirl around the writing of Irish history are themselves a fascinating point of access to the dark intractabilities of Irish history. Think of the variety of treatments of 1798 or the Famine or 1916. Historians have been described as a notoriously argumentative lot. I make no comment but, if the description be just, it is precisely this frequent clash of views about the past which can substitute complexity for the easy simplicities of reductionism and show that there are no neatly signposted pathways through history. What has been described as the ‘disorderly braid’ of history catches its essence more justly.

Professor Edna Longley has a wonderful line about building a monument to Amnesia and forgetting where we put it. But I want to hold on to T S Eliot’s vision of history not as servitude but as ‘freedom to become renewed, transfigured’.

CONCLUDING REMARKS

Too late in the preparation of the Royal Irish Academy Discourse last Spring on which this Lecture is based, I realised that I should have heeded some wise words by an American who gloried in the name of Fred Schwed Jr. His book's title 'Where are the Customers' yachts?' is heavy with meaning, bearing in mind that it was a history of Wall Street. He wrote: 'If you do someone the signal honour of asking a difficult question you may be assured you will get a detailed answer. Rarely will it be the most difficult of all answers – I don't know'. But, tempting as they were, those three words would hardly have made my earlier Discourse – nor this Lecture.

However, I have now reached the conclusion, though I fear it could, like the final chapter of Dr Johnston's *Rasselas*, be best headed 'the conclusion, in which nothing is concluded'.

I shall, however, venture a concluding comment.

In view of the dramatic shift impending from abundance (at least for some) to austerity (which no doubt, again, will be unequally shared) the focus of this Lecture has inevitably and primarily, though far from exclusively, been economic. (The specific initiatives I suggested for Northern Ireland, for example, would have a major impact on how society in all its aspects here develops). But, more generally, I recognise that such a dramatic shift will induce major changes throughout society in both parts of the island which no one can presently foresee. A powerful dynamic for change will also be the catastrophic hurricane which is currently battering the Catholic Church, an institution which over centuries has played such a central role in shaping the lives of so many Irish men and women. My personal hope would be that the consequence will not be an acceleration of the drift towards the vacuous secularism which has fuelled the 'greed is good' ethos and the excessive individualism which have been factors in the current economic and financial crisis.

At the start of 2009 it seemed quite possible that the next decade, like the 1930s, could be a lost decade for the world. Given such a context, it would have been difficult to avoid pessimism about Ireland 2020. Since then, however, there are signs that the great global experiment in averting disaster to which I referred earlier has avoided a repeat of the 1930s, though the success of the experiment will only be confirmed when a path to recovery sustained by ordinary private demand becomes visible. Cause for pessimism about the future of the globe and of Ireland has therefore significantly reduced.

But a Panglossian approach would also be misplaced. Instead I have tried throughout to be soberly realistic. But I hope you detect my sense of optimism about Ireland 2020, provided we have the will and the courage to do what needs to be done. Ireland 2020 can then indeed be a New Ireland.

We can draw much inspiration from one of Hannah Arendt's insights: '... every end in history necessarily contains a new beginning; this beginning is the promise, the only 'message' which the end can ever produce'. I like that idea of Time offering infinite opportunities for transformation. Let us - North and South - seize them eagerly.