

Assessment of the Impact of the Fiscal Treaty on the Irish Economy

Incorporating a Survey of the Views of 44 Independent Non-
Government Economists

Analysis by

Alan W. Gray, Hugh Hennessy, Alice Casey, Finn Gleeson and Padraic Reidy

*Dedicated to the memory of the late Paul Tansey, who
inspired many young economists to look for evidence
before coming to conclusions*

Acknowledgements

This working paper represents an independent economic analysis of the impact of the Treaty on Stability, Convergence and Growth (the 'Fiscal Treaty') on the Irish economy. The research includes an analysis of a new survey of leading independent non-government academic and research economists in Ireland. Indecon would like to acknowledge with thanks the valuable inputs provided by the 44 independent economists responding to this survey. The authors would also like to thank other colleagues in Indecon particularly Greg Swinand, William Batt, Ronnie Tucker, Niamh Kelly, Finola O'Riordan and Carol Harold. The usual disclaimer applies.

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Contributions to Focus Ireland, charity for the Homeless

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Introduction

This report represents an independent analysis of the economic consequences of Ireland's forthcoming decision in relation to the Treaty on Stability, Convergence and Growth (widely known as the Fiscal Treaty). The research also incorporates the views of leading independent, non-government academic and research economists in Ireland on the economic implications of Ireland's vote on the Treaty. It is important to note that the main counterfactual relates to the likely impacts arising from an acceptance by Ireland of the Fiscal Treaty against those arising from a rejection. This may differ from the impact of a position whereby the Fiscal Treaty was never proposed. It is also important to note that the views expressed are confined only to economic issues and do not deal with any issues which may or may not arise in other areas.

The importance for Ireland of making the right decision in Ireland's economic interest is critical. Given the levels of unemployment, the need to restore growth, overhaul the financial system and improve public finances means that Ireland cannot afford any mistakes. Ireland has suffered too much from ill-informed policy-making and the country needs to refocus on initiatives which will enhance economic welfare. Ireland cannot afford to be complacent about such decisions.

Economists Included in the Survey Element

The survey element includes results based on the opinions of 44 leading independent economists who are engaged in research or academic work in nine of the main centres of independent economic analysis in Ireland. Specifically, economists in the economics departments of the following organisations were surveyed:

- Trinity College, University of Dublin
- University College Dublin
- The Economic and Social Research Institute
- Indecon Economic Consultants
- National University of Ireland, Galway
- University College Cork
- NUI, Maynooth
- Dublin City University
- University of Limerick

It should be noted that there was no selectivity in the listing of economists surveyed and all of the Professors of Economics and full-time lecturers in economics in the universities / centres were invited to respond.

Economists working in the media or in banks or other financial institutions were not included. Economists working in government departments or agencies or in employer or trade union organisations were also not included in the survey. Also, economists working in the business departments of universities and those involved in other colleges were not surveyed. While many excellent economists work in these

organisations, it was decided for logistic and other reasons on this occasion to outline the views of independent non-government research and academic economists in the organisations listed.

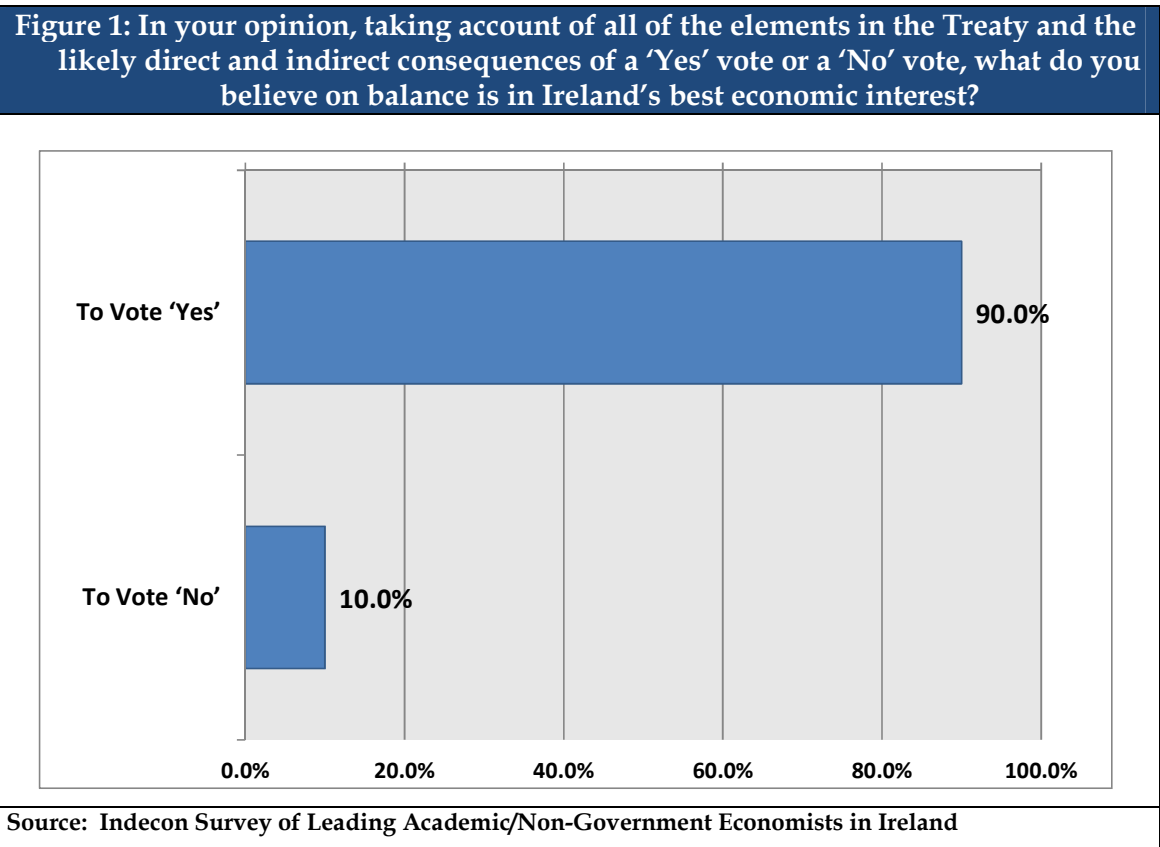
Securing Ireland’s Overall Economic Interests

The Fiscal Treaty involves a series of complex changes particularly concerning the so called ‘Structural Deficit’ rule. Also of significance is the access to European Stability Mechanism (ESM) funds. It also restates a number of previously agreed EU rules. Of importance in any consideration of Ireland’s vote on the Fiscal Treaty concerns the impact this is likely to have on Ireland’s overall economic interests.

There is a range of factors relevant to this assessment, including the following:

- Consequences, if any, for Ireland’s commitment to fiscal sustainability;
- Potential impact on the stability of the euro;
- Consequences for the possibility of returning to bond markets by 2014;
- Perceptions of the risk of a sovereign default by Ireland;
- Likely cost of borrowing;
- Business and investor confidence; and
- Implications for public expenditure.

The figure below outlines the views of the leading economists surveyed on how Ireland’s overall economic interests are likely to be influenced by the vote on the Fiscal Treaty.



The findings indicate that 90% of the economists surveyed believe that, taking account of all of the elements in the Treaty and the likely direct and indirect consequences of a 'Yes' vote or a 'No' vote, Ireland's economic interests would be best served by a 'Yes' vote. The factors influencing this evaluation are discussed in subsequent sections.

While independent economists undoubtedly hold a range of views on specific aspects of the Treaty, the level of agreement among most independent economists surveyed on this is striking. The potential merits of a 'Yes' vote on the Fiscal Treaty for Ireland's economic interests is clearly something on which the vast majority of the leading academic and research economists agree.

A range of factors may have influenced the majority of independent economists surveyed to assess that it is in Ireland's interest to vote yes. These are discussed later in this document and include the impact on business confidence, on public finances, on the availability and cost of borrowing, and on the stability of the euro. For example, one economist responding to the survey indicated that:

"Correction of public finances is of critical importance for Ireland's long-run and medium-term growth and sustainability. The Treaty gives a little additional push in that direction and therefore is desirable. Ideally we would not have got into the mess of large deficits and debt and we could operate a Keynesian policy but such is not the case. Also, Ireland will not get back to financial markets and will need stability mechanism funds."

Reflecting the views of the majority of economists that a 'Yes' vote would be in Ireland's interest, most of the individual comments made by economists surveyed were positive and highlighted either the benefits of the Treaty and, more significantly, the risks of a 'No' vote.

While most of these economists who chose to submit comments were positive and strongly in favour of a 'Yes' vote, it was not unanimous. For example, one economist felt that the Treaty represented 'bad macroeconomics' while another believed that it was bad for Europe and indicated that:

"The fiscal treaty is bad for Europe. While to a large extent irrelevant, it symbolizes a policy which if pursued for much longer will destroy the euro. As a European, I am thus opposed to it.The argument for voting yes thus boils down to an argument that we are irrelevant to what happens in Europe. I believe strongly that we should postpone the vote."

While economists surveyed were free to submit their comments in confidence as part of the survey, a number of leading economists also provided comments on an attributed basis. One such comment was provided by the internationally recognised monetary economist, Professor Antoin Murphy, and is presented overleaf. This opinion may in some ways reflect the view of many economists, who recognise that the Treaty is mostly confirming existing rules and who may wonder what all the fuss is about.

Views Suggesting Treaty is Strengthening Existing Commitments

“There is a serious issue here as to whether we should be even having a referendum on this issue. It is really just strengthening further commitments already made in the Maastricht Treaty and the Stability and Growth Pact (reinforced further by the December 2011 'Six-Pack'). The Germans and the ECB wanted this Treaty in return for the ECB introducing LTRO which helped stabilise the Eurozone financial markets. There will be a need for further LTRO in the future and from this perspective the Treaty is well worthwhile.”

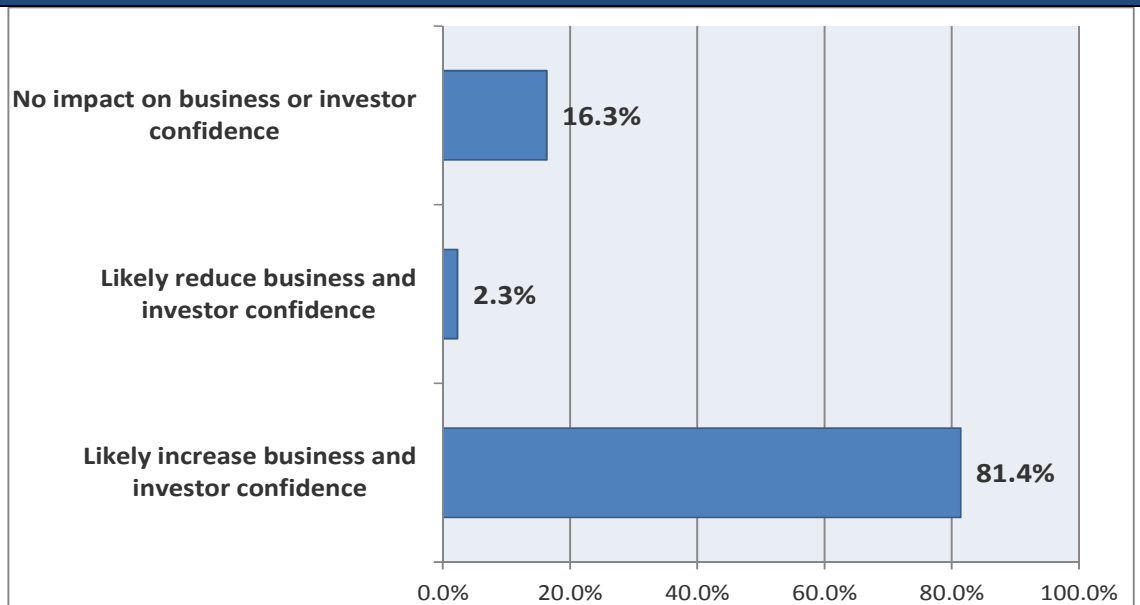
Professor Antoin Murphy, Department of Economics, Trinity College

Impact on Foreign Direct Investment and on Business Confidence

Foreign direct investment is particularly important for the Irish economy. Direct employment in foreign-owned, IDA-assisted manufacturing and internationally-traded services companies amounts to approximately 146,000 jobs, and around 250,000 indirect spin-off jobs. Against this background, it is important to consider the likely impact of Ireland’s vote on the Fiscal Treaty for foreign direct investment. This will be influenced by business and investor confidence. The implications for domestic investment are also important and this is sometimes forgotten.

Foreign and domestic investment is influenced by business and investors’ confidence in the Irish economy and overall confidence in Europe. This in turn is likely to be influenced by Ireland’s decision on the Fiscal Treaty. On the latter issue, a clear majority of independent economists surveyed are of the view that a ‘Yes’ vote would be likely to increase business and investor confidence.

Figure 2: Please indicate your view on the likely impact of a ‘Yes’ vote on business and investor confidence compared to a situation where Ireland votes no. A ‘Yes’ vote would:



Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

There is, however, a range of factors influencing foreign direct investment, as outlined in Figure 3, and not all of these will be altered as a result of the Treaty vote. However, the stability of exchange rates and overall investor confidence could be impacted. Concerns about the exchange rate and the stability of the Euro is likely to be negatively impacted by a 'No' vote. Possibly more significant is the concern that such a vote would raise risks for Ireland in funding its public finances. The availability and cost of such funding is an important strategic issue for long-term investors. At the margin, which is where many investment decisions are made, the impact on market confidence could be critical.

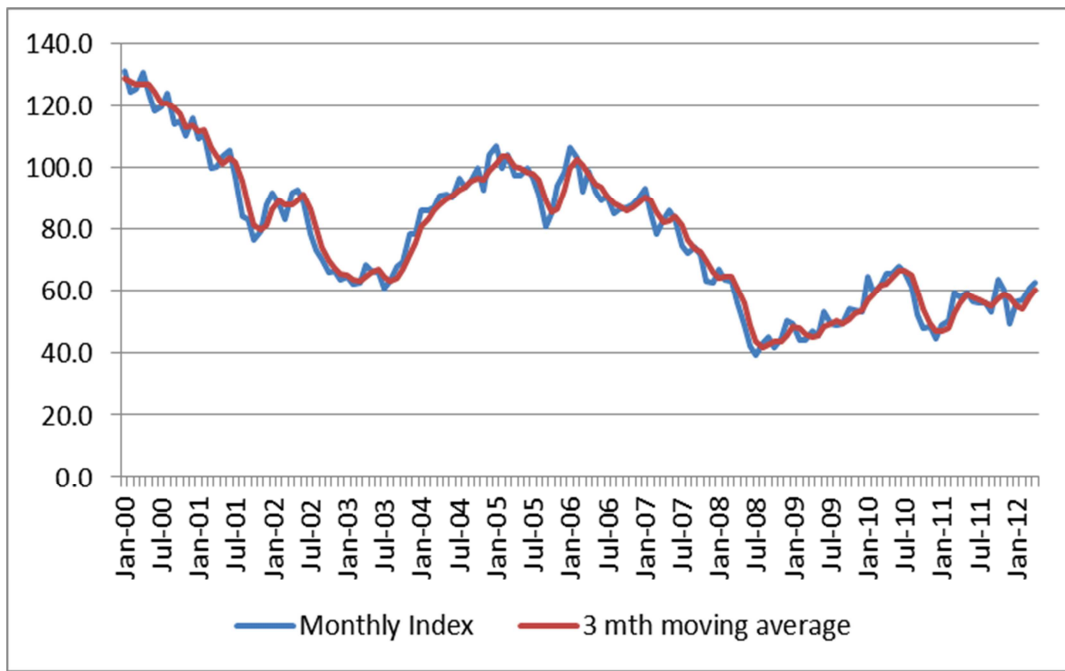
Figure 3: Elements of Comparative Advantage for Mobile Foreign Investment	
Access to Markets	Essential Requirement
Education, Skills and Research and Development	Fundamental to Being Considered
Productivity and Labour Costs	Key in Evaluation of Locations
Taxation and Cost of Capital	Critical Factor for High Profit Sectors
Intermediate Input Costs	Influences Return on Capital Employed
Ease of Doing Business	Frequently the Deciding Issue
Exchange Rates	Important in Maintaining Cost Competitiveness
Demonstration Effects	Influences Overall Perceptions
<i>Source: Gray, A.W., Swinand, G., Batt, W., Economic Analysis of Ireland's Comparative Advantages for Foreign Investment, 2009. ISBN, 978-0-9531318-1-5</i>	

The significance of membership of the euro and the stability of exchange rates has traditionally been seen by multinationals as a comparative advantage for Ireland and this could be impacted by the vote on the Fiscal Treaty. This may in part explain why leading multinationals in Ireland have sought to argue in favour of a 'Yes' vote.

Figure 4: Foreign Firms' Rating of Ireland on Exchange Rate Stability					
	Significant Strength	Strength	Neither Strength nor Weakness	Weakness	Significant Weakness
Membership of Euro and Stability of Exchange Rates	33.0	56.9	7.3	2.8	0.0
<i>Source: Gray, A.W., Swinand, G., Batt, W., Economic Analysis of Ireland's Comparative Advantages for Foreign Investment, 2009. ISBN, 978-0-9531318-1-5</i>					

Confidence in the Irish economy has, as everyone knows, been affected by the extent of the deterioration in the economy and the crisis in the euro. This is also evident in consumer sentiment in Ireland. This may have been reflected in the KBC/ESRI consumer sentiment index. While the overall Irish Consumer Sentiment Index has improved compared to 2008, the decline since 2005/06 is evident. Ensuring that confidence in the Irish economy among consumers and investors is maintained or enhanced will influence Irish economic performance.

Figure 5: Consumer Sentiment Index



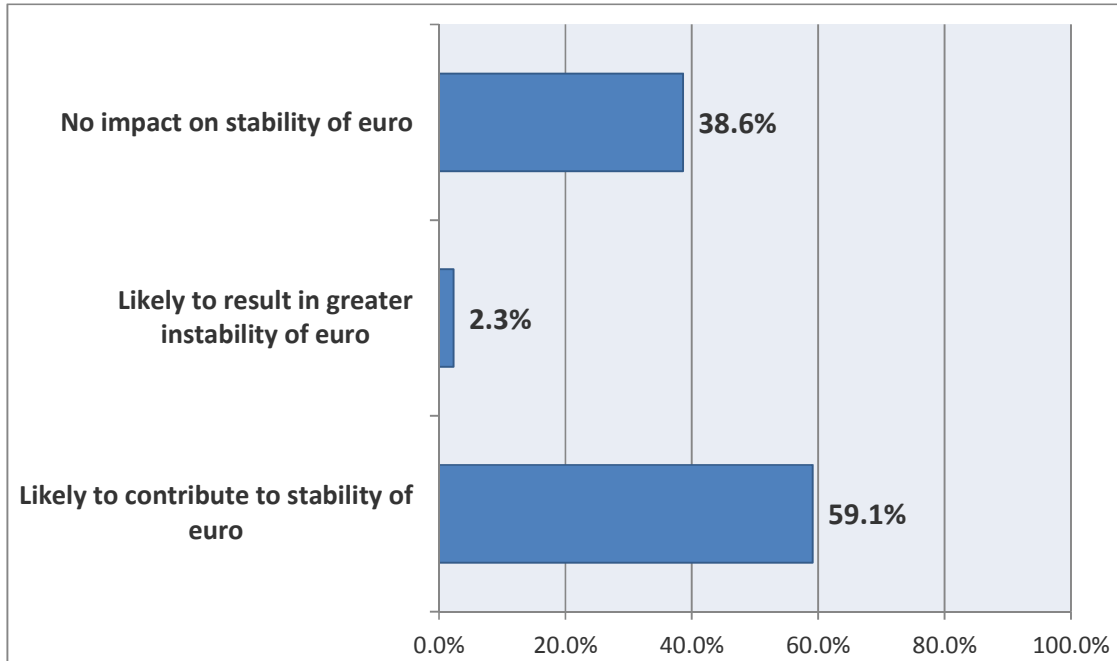
Source: KBC Bank/ESRI Consumer Sentiment Index

Impact on the Stability of the Euro

Many economists believe there were design flaws in the European Monetary Union and that the Fiscal Treaty tackles only one element of the currency’s shortcomings, and possibly not even the most important of the required reforms of the euro system. There is recognition by the economics profession, both in Ireland and internationally, that major systemic reforms are required, probably to include European involvement in the supervision of the banking sector and possibly some sharing of banking sector risk. However, a number of changes are needed to ensure such reforms are robust. In the immediate future, there are concerns over the stability of the euro. Against this background, it is important to consider what impact if any a ‘Yes’ vote would have on the stability of the euro.

The views of leading economists surveyed on this issue are mixed but a majority believe that a ‘Yes’ vote would be likely to contribute to stability of the euro.

Figure 6: In your view what would be the impact of a 'Yes' vote by Ireland if any on the stability of the euro. A 'Yes' vote would:



Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

In considering the stability of the euro, it is important to recognise that there has always been uncertainty surrounding the impact on Ireland of joining a fixed exchange rate regime. While some of these uncertainties were forgotten in the enthusiasm of the project, some economists highlighted these issues. For example, the views of the US Noble Prize winner, Kenneth Arrow, as far back as 1997 on this issue are revealing as indicated below:

Uncertainties re Fixed Exchange Rate

“Some economists argue that smaller countries are better off with fixed exchange rates against some larger trading partners, I don’t feel I know enough about this issue to comment.”

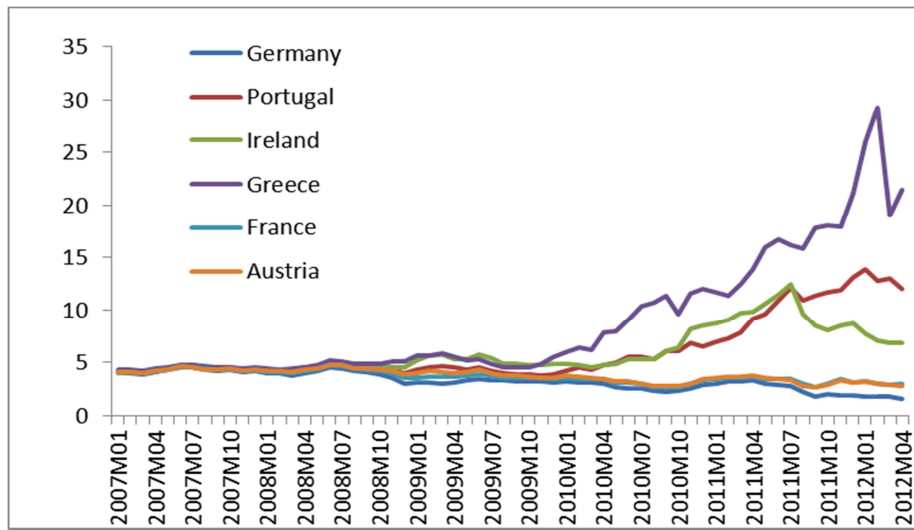
Arrow, K., in *International Perspectives on the Irish Economy*, 1997, ed. Gray, A. W. ISBN 0953131807.

Cost of Irish Borrowing

The scale of Irish borrowing represents a very significant on-going cost for Irish taxpayers and will result in higher levels of taxation or lower levels of public service provision.

The economic and banking crisis in Ireland and the resultant fall in international and Irish confidence in the Irish economy both contributed to, and were exacerbated by, the collapse in Ireland's exchequer revenues. This resulted in Ireland experiencing exceptionally high borrowing costs and ultimately the need to seek bail-out assistance through the Troika agreement. Since the onset of the crisis the yield on government bonds in Ireland (relative to Germany) rose very significantly, resulting in a higher cost of borrowing faced by the Irish Government. However, as can be seen from the chart, this has fallen over the past year or so while the Greek and Portuguese bond yields remain much higher. These figures relate to interest rates for long-term government bonds denominated in national currencies. Selection guidelines require data to be based on central government bond yields on the secondary market, gross of tax, with a residual maturity of around 10 years. The bond or the bonds of the basket have to be replaced regularly to avoid any maturity drift.

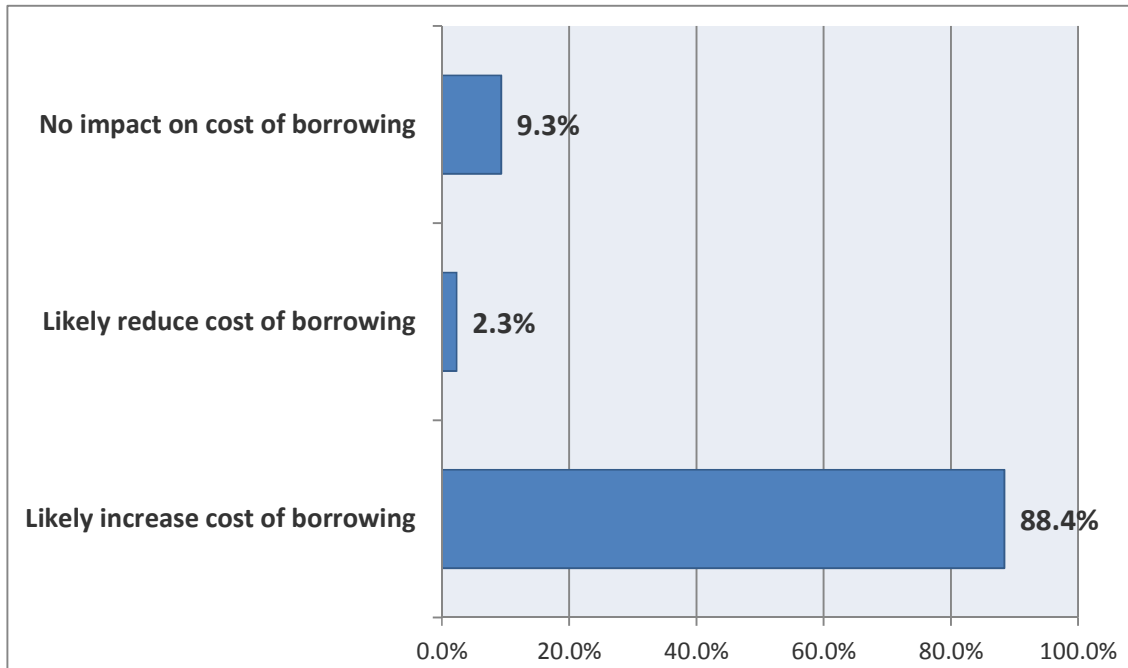
Figure 7: EMU convergence criterion bond yields (%)



Source: Eurostat

Under the Fiscal Treaty, access to ESM funds will be restricted to countries implementing the Treaty. In the event of Ireland not being able to secure funds from bond markets, it is necessary to ask what would be the likely impact on the cost of borrowing if funds could be secured from other sources. While the yes and no side of the campaign have argued about whether such funding would be available from any source, it is clear that most of the economists surveyed believe it would likely increase the cost of borrowing. This is in a scenario whereby Ireland could secure funds elsewhere but there is a major doubt on this question.

Figure 8: In the event of Ireland not being able to secure funds from bonds markets at end of the EU/IMF Programme what impact do you think not having access to European Stability Mechanism funds would have on the costs of Irish borrowing if such funding could be secured from other sources. Inability to access ESM Funds as a result of a 'No' Vote

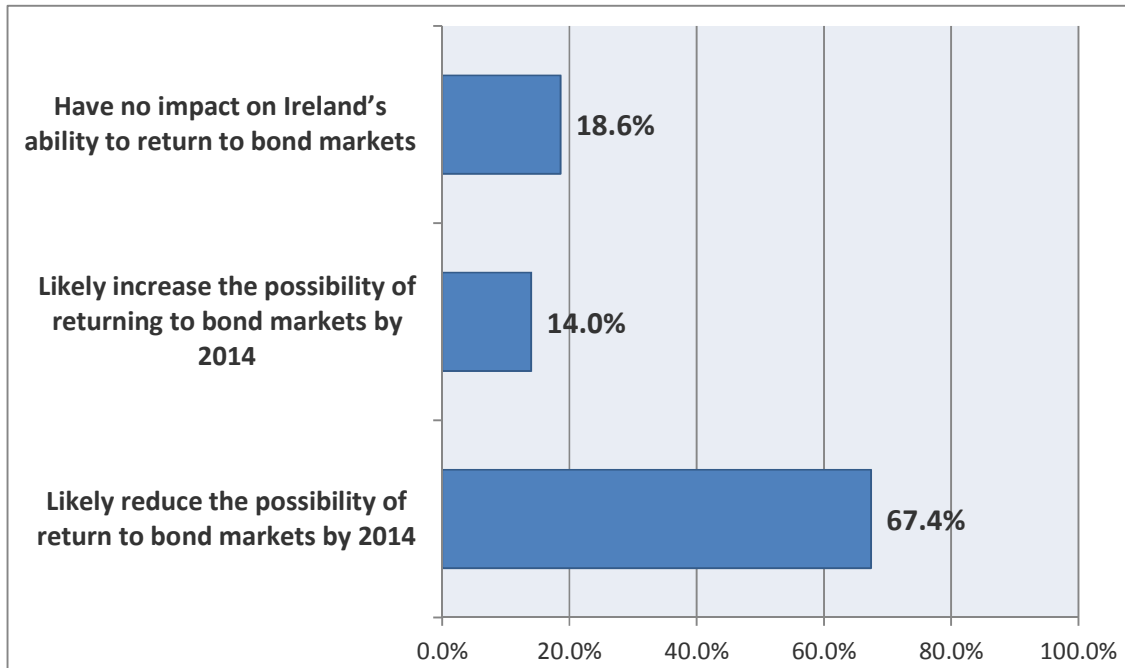


Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

Possibility of Return to Bond Market

On the issue of the likely impact of a 'No' vote on Ireland's ability to return to the bond markets, while different views were expressed, most economists felt that the financial feasibility of a return to bond markets by 2014 would be reduced if Ireland voted no.

Figure 9: Given the Recitals to the Treaty which states that from March 2013 any further bail out involving the use of funds from the European Stability Mechanism (ESM) will only be given to countries which have ratified and implemented the Treaty what impact if any an Irish 'No' vote would have in terms of likely ability to return to bond markets. A 'No' vote would:



Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

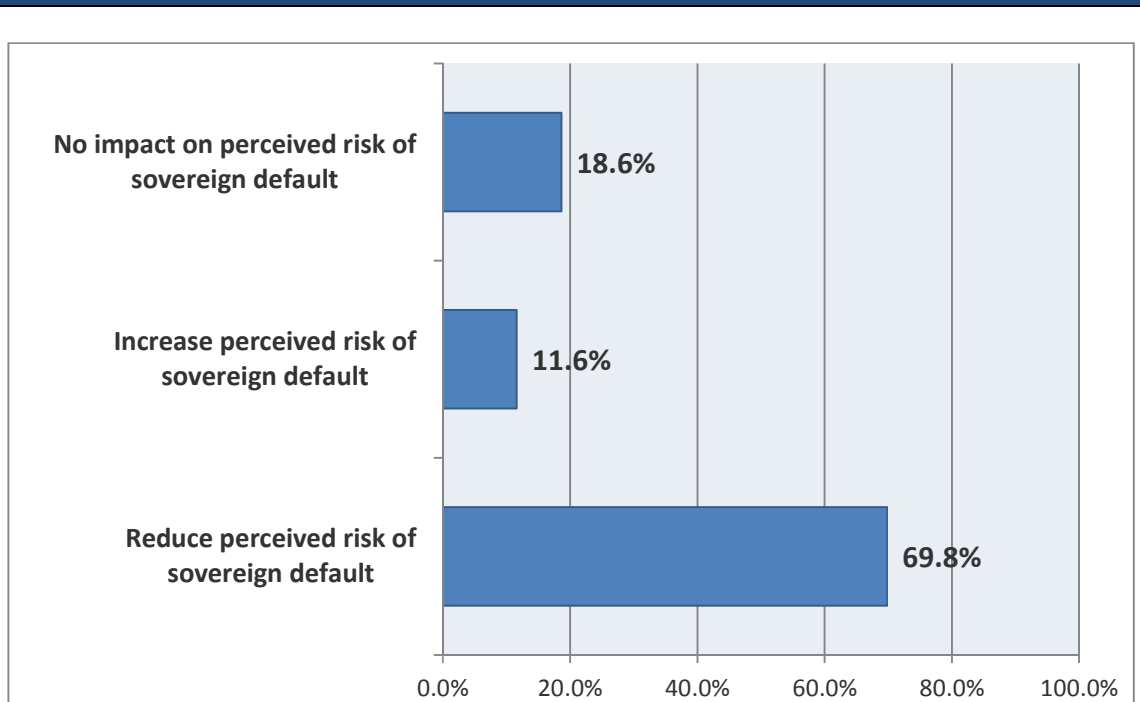
There is also a range of other potential impacts which could arise from a 'No' vote, including the implications for the outflow of resources from the banking sector, which could make borrowing for firms in Ireland even more difficult. This point was raised by one economist who responded to the Indecon survey, who suggested that:

"It is quite feasible that some capital flight may ensue in the short term in a 'No' vote scenario. Of course, it is rather difficult to forecast the 'unknowns' following a potential 'No' vote. However, the financial sector is still in a fragile state and it would not be in our interests to be over-reliant again on ECB ELA funding."

Perspectives of the Risk of a Sovereign Default

On the issue of perceptions of the risk of sovereign default by Ireland, in the scenario of a 'No' vote, the majority of economists surveyed believe this would indeed increase perceptions of the risk of sovereign default.

Figure 10: In Your View What Would be likely Impact of a 'Yes' vote on Perceptions of the Risk of A Sovereign Default by Ireland: A 'Yes' vote would



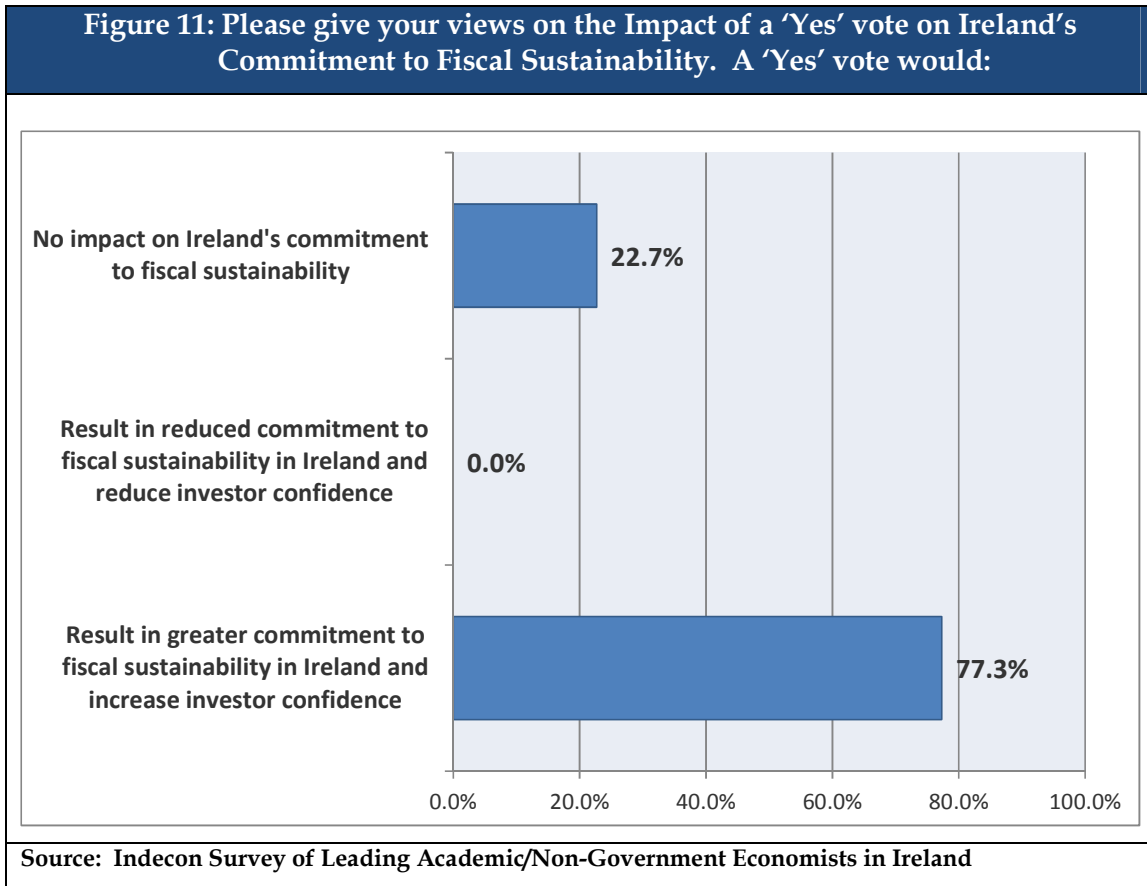
Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

Impact on Commitment to Fiscal Sustainability

The crisis in Irish public finances, which was made much worse by the banking debt, had its primary cause in the fact that levels of public expenditure relative to the taxation base were allowed to rise to unsustainable levels and such a scenario was dependent on continued growth in the economy. Of particular significance was the extent to which the Irish tax system was dependent on discretionary taxes based on boom-related sales of property and purchases of consumer goods. When the recession unfolded and the property sector collapsed, the extent of the crisis in public finances became all too evident. This was made worse by the existence of unjustified property based tax incentives. As a result, as summarised by Dan O'Brien, "Ireland's public finances are broken. Again".¹

¹ Dan O'Brien (2012)

Against this background, it is necessary to consider whether the Fiscal Treaty would result in a greater commitment to fiscal sustainability in Ireland. A clear majority of economists surveyed believe passing the Treaty would result in a greater commitment to fiscal sustainability. While there is divided opinion on whether the Fiscal Treaty would have prevented the crisis in Irish public finances, the need for Ireland to be committed to fiscal sustainability given the current level of deficits is clear.



There has been some discussion of the Treaty requirement that the deficit should not exceed 3% of GDP. There is a sense of 'Ground Hog' day about this and the debate on this seems somewhat strange. This is because this has been a requirement for many years and, for example, in 1992 Professor Dermot McAleese noted that: "According to Protocol on the Extreme Deficit Procedure, deficits will be deemed 'excessive' if they exceed 3% of GDP".²

² McAleese, D.F (1992), The Macroeconomic Framework, in Responses to Irish Unemployment, edited by Gray, A. W. (Indecon 1992, Public Policy Series)

The fact that the Treaty does not significantly change many of the existing rules does not mean that a 'No' vote would not have negative consequences and this was highlighted in comments made by Professor John O'Hagan submitted as part of this study.

Views on Rationale for Treaty and Implications for Voting

"The fundamental reason for the FST is that a currency union needs rules of engagement for the economic 'game' to take place, as otherwise chaos will result. It is to avoid another Greek situation, with its irresponsible past approach to fiscal matters, that the FST is a necessary first step in establishing and enforcing such rules: to protect each and every one of us from reckless behaviour by another in the currency 'club'.

Many of the rules outlined in the FST in fact are already enshrined in law, as many expert commentators have demonstrated. So there is really almost nothing substantially new and hence no substantial negative consequences from a Yes vote. To equate a Yes vote with a vote for 'austerity' is at best a highly disingenuous electoral ploy. Fiscal correction is required either way.

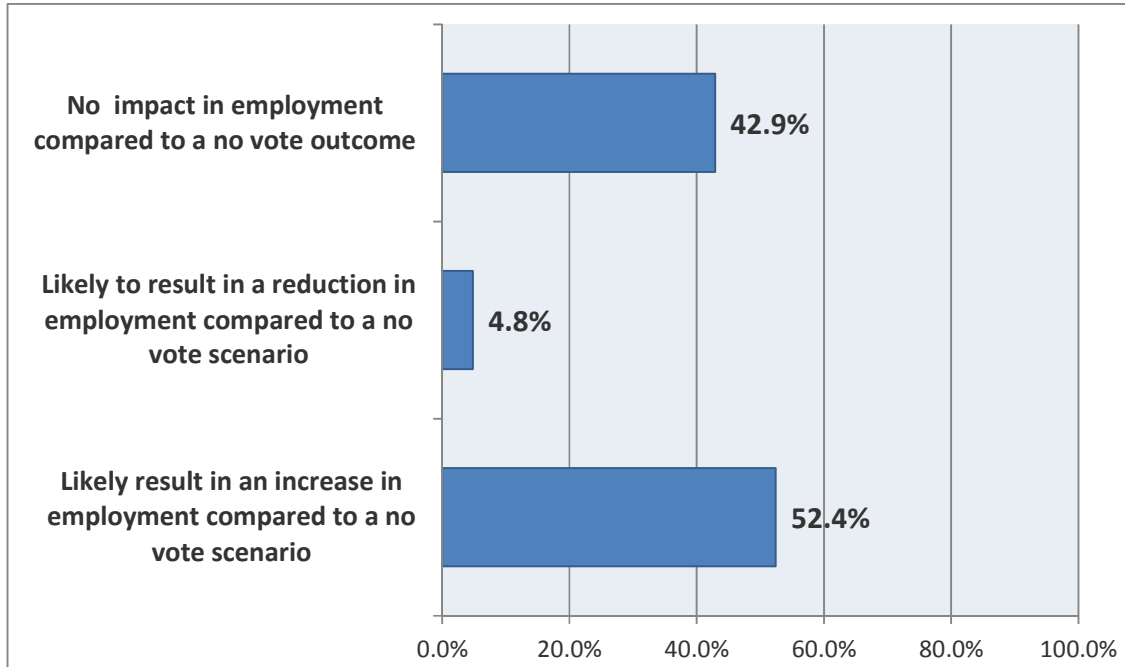
What are the consequences of a No vote? The main danger is that of huge uncertainty, with the possibility of quite dramatic negative consequences. To argue that this amounts to scaremongering reminds one of the last government's similar claims; when people warned of the pending disaster about to unfold on the banking front. It would be irresponsible in fact not to spell out the *possible* consequences of a No vote."

Professor John O'Hagan,, Department of Economics, Trinity College

Impact on Employment

The views of economists on the impact of the Fiscal Treaty on employment are somewhat mixed. While many economists feel it would not impact on employment, a significant percentage believed that it would be likely to result in an increase in employment. Only 2 out of 42 economists who responded on this issue felt a 'yes' vote would be likely to reduce employment.

Figure 12: Taking account of all of the possible consequences of the Treaty including impacts on public finances and hence on public expenditure and taxation, impacts on cost of borrowing and business and investor confidence what would be your judgement on the direct and indirect impact, if any on employment in Ireland? A 'Yes' vote would:

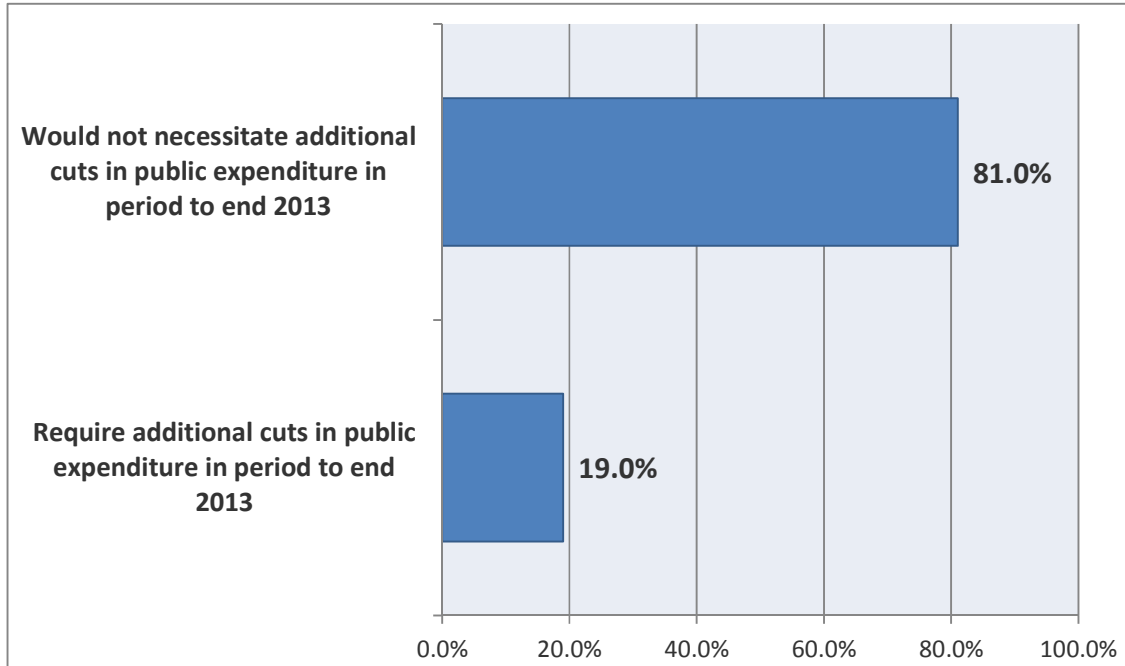


Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

Impact on Public Expenditure

There has been much discussion in the media and by various political interests on both sides of the debate on the impact of the Treaty on public expenditure cuts, with associated discussion of the implications for austerity. However, because the Treaty will not impact on the current EU/IMF Programme for Ireland, most economists surveyed are clear that no additional cuts in public expenditure would be required in the period to end-2013.

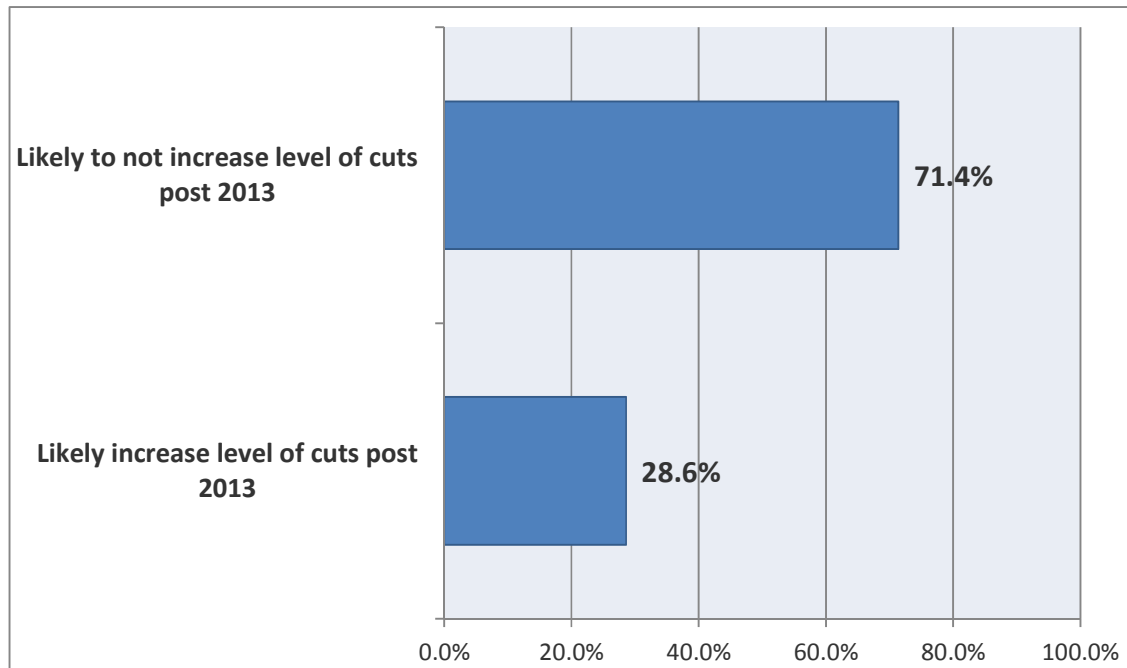
Figure 13: Will any requirements in the Treaty and in the fiscal clauses including that that structural deficit shall not be greater than 0.5% of GDP (or up to 1% in exceptional circumstances) require Ireland to impose additional cuts in public expenditure over the period to end 2013 other than those agreed as part of existing EU/IMF Programme. A 'Yes' vote would:



Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

Also of relevance is what happens when the Programme ends. The views of a majority of economists suggest that a 'Yes' vote would not result in any additional cuts in public expenditure other than what would be required in any case.

Figure 14: Would a 'Yes' vote likely result in additional cuts in public expenditure post – end 2013 other than any cuts which would be required in any case. A 'Yes' vote would:



Source: Indecon Survey of Leading Academic/Non-Government Economists in Ireland

These views are consistent with opinions expressed previously by a number of economists, including Colm McCarthy, as outlined below. It may also be that the Treaty, by reducing the cost of borrowing as suggested by Professor Philip Lane,³ may result in fewer cuts in other areas.

Consequences for Budget Cuts

“The fiscal treaty does not, in the short or long term, create new commitments to budget cuts beyond what is in store anyway. But rejection could result in a sudden drying up of access to finance – and hence an immediate requirement to balance the books – and would be highly disruptive.”

Source: McCarthy, C., (2012), “This is not a vote about permanent austerity”.

³ Lane, P. (2012), The Economic Logic Behind the Financial Compact.

A number of economists have recognised that the Fiscal Treaty does introduce some tighter rules on fiscal policy but recognise that the Treaty involves discretion and takes account of various developments, including the stage of the business cycle. This was reflected in the well-publicised views of the Governor of the Central Bank, Patrick Honohan, an extract of which is included below:

Views on Flexibility in the Treaty
"The scope for operational flexibility helps reassure me that signing up to the Treaty has been the safer alternative for Ireland."
Honohan, P., (2012) Recommendations by the Governor at the Annual Meeting of the Irish Economic Association.

Conclusion

The forthcoming decision of the Irish people in the referendum on the Fiscal Treaty will undoubtedly have economic consequences for Ireland.

As indicated earlier, various views were expressed on the Treaty but most economists felt that a 'Yes' vote was the right course of action. This is despite the fact that a number of economists felt while the Treaty itself was not that significant, a 'No' vote could result in needless costs. This was reflected in the comments below from one economist who responded to the survey.

"In terms of the challenges facing the economy, I think this is all a bit of a sideshow. So we need to get it over with & move on to issues like the labour market. Without recovery there and in the domestic/ service sector progress will be slow to non-existent."

Another economist suggested that:

"I'd tend to the view that a 'Yes' by itself may not change things all that much for us: most of the key decisions are at E-Zone/EU/ECB level, but that a "No" would incur needless costs. The argument that by voting "No" we somehow force more favourable treatment for Ireland seems to me to be profoundly risky, and involves an element of wishful thinking."

Many economists also believe that events are moving fast and it would be a mistake to think Ireland is in control of developments. This is reflected in the comments below from two separate economists who responded to the survey.

"Events outside of Ireland's control are likely to change the rules of the game fundamentally. Probably better to have voted yes rather than no, but there is a significant chance that our vote won't really matter."

"The Treaty is fundamentally about the future of the euro: a first necessary step. The Referendum in Ireland is fundamentally about Ireland's participation in the euro. A 'No' vote would raise very serious doubts about our long-term participation."

While most independent economists believe Ireland should vote 'Yes' there is however widespread recognition of the need for other fundamental reforms and that a 'Yes' vote in the Treaty on its own may be beneficial but is not a sufficient or adequate response to the challenges. This was for example highlighted in a thoughtful note by Professor Philip Lane of Trinity College, an extract of which is outlined below.

Benefits of Treaty but Necessity for Additional Reform

"The TSCG should be especially welcome in Ireland in view of the importance of effective counter-cyclical policies for small, open economies that are more exposed to large macroeconomic fluctuations. Certainly, it is only one element in the broader reform of the eurosystem and, over time, Ireland should also press for the deeper systemic reforms that are required."

Source: Lane, P.R., "The TSCG and Irish Fiscal Policy", *Irish Economy Note No. 15, April 2012*.

A number of economists believe that the design of the Treaty is far from ideal but that, on balance, there are powerful arguments in favour of signing the Treaty. Such views were well captured in the insights by Professor Karl Whelan from UCD which are summarised in the extract below:

Views on Defects in Treaty but, on balance, merits of 'yes' vote.

"Though I think the economics of this treaty are pretty terrible, on balance, the arguments favour Ireland's signing up to it. There are two reasons for that. As Dr. Ahearne noted, our current debt ratio is so high that we are set for a long period of tight fiscal policy with limited or no room for the use of counter-cyclical fiscal policy. Thus, in the medium term, we will have to do what we have to do anyway. Second, if indeed it is the case, as the preamble to the compact asserts, that the treaty needs to be passed to allow a country access to ESM funds, this is a powerful argument, on its own, for signing the treaty. Even those who believe we are on course to return to the sovereign bond market before the end of the EU-IMF programme must acknowledge that the possibility of the ESM safety net is there, and this is an important factor in investors' minds. If we remove that safety net, the chances of our being able to walk away from the EU-IMF programme on our own and return to the sovereign bond markets are extremely low.

Economic policy-making rarely amounts to picking the best possible policy suggested by economic theory. In a choice between an overly restrictive and badly designed fiscal compact and the potential alternative of being denied funding for our fiscal deficit next year - and the more extreme possibilities of sovereign default or exit from the euro - we should stick with the European project and hope, however difficult this may be, that we can work to improve its design in the future."

Source: Whelan, K., 2012 to Oireachtas Committee on European Affairs Feb 2nd.

On balance the accumulated evidence suggests that while a number of aspects of the Treaty are fairly irrelevant in that they are either simple state existing EU rules or will not alter adjustments which are required in the absence of the Treaty, there are major risks with voting 'No' and Ireland's best economic interest are served by a 'Yes' vote. This is highlighted in the views below:

Views That Treaty Does not Address Major Reform Needed but That a 'No' Vote would be a Serious Economic Mistake for Ireland

"There is a need for radical reform at European level and the Treaty may be necessary, but is in no way an adequate response to the challenges facing the euro and the European economy. Radical measures are required to address systematic risks and to enhance European co-ordination. A 'No' vote however could have major damaging economic consequences for the fragile recovery in the Irish economy and on balance our economic interest would be well-served by a 'Yes' vote"

Source: Comments by Economist Alan Gray, Chairman of London Economics.

The views of 44 of Ireland's leading independent economists on the merits of the options suggest that there is an agreement among the majority of the non-government economists surveyed that taking all factors into consideration, Ireland's overall economic interests are likely to be best secured by a 'Yes' vote.

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