

# Sunday Independent

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## CAROL TOIBIN WHY I LOVE MY PRESCRIPTION DRUGS

LIFE MAGAZINE



## HAVE KERRY SHOT THEMSELVES IN THE FOOT? PAIDI O SE

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# 'Builders to end up in social housing'

### Ray MacSharry steps in to defend Government's 'bad bank' proposal

LIAM COLLINS and DANIEL MCCONNELL Chief Reporter

ONE of the country's most influential political figures, Ray MacSharry, has dramatically intervened in the banking debate to declare that Nama will not save "fat cat" builders and developers and some of them could even end up in social housing.

"This is not about saving the banks or builders, they're gone, they've taken the hit," said Mr MacSharry, the former Finance Minister credited with turning around the public finances during his term in government.

"They have personal guarantees that will be pursued to the end, many builders and developers will lose all. Somebody even said to me a week ago that there will be builders looking for social housing before we are a year older - how is Nama saving them?"

The former EU Commissioner has largely stayed out of internal political debate since leaving office but his comments come at a critical time as the Government makes a major push to win public support for the new property agency which will take over €90bn worth of property loans from banks, the details of which will be revealed in the Dail on September 16.

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Minister for Finance Brian Lenihan told the *Sunday Independent* yesterday that nationalising the banks would be a €4bn 'bail out' for shareholders of the State's two biggest banks.

"Both Allied Irish and Bank of Ireland are valued current-

ly at about €2bn. The State investment in the banks has already seen a return to the taxpayer to the tune of about €1bn.

"But, it's hard to see how the State could deal with the up-front cost associated with nationalisation, having to pay the shareholders €4bn to assume control (and at the same time) the Government would have to inject further capital to improve their liquidity positions," Mr Lenihan said.

Both Mr Lenihan and Mr MacSharry believe that the State will end up with a major stake in both major banks anyway.

"The objective is to ensure the lending needs of the real economy are met. A commercially focused banking system which includes banks having a market presence and operating within market disciplines

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### SPEND, SPEND, SPEND



**HOPE: "I think people are starting to spend a bit more. Boutiques, shops, beauticians and hairdressers have reduced their prices and it is having an effect," says recession-buster Elizabeth Nuzum, 35, who launched The Designer Circle last April and has seen her business expand rapidly. Elizabeth's business, up to now, has been the sale - by appointment - of new and nearly new designer clothes, shoes and bags. Now, after a successful trading period, she is opening a studio boutique in the Bridle House Farm on Fairyhouse Road, Ratoath, Co Meath, on Thursdays and Saturdays (10am-5pm). "Women come to me to sell clothes they have never or hardly worn and other women come to buy for special occasions," says Elizabeth. (www.thedesigercircle.com). Photo: Gerry Mooney**

# 'I made mistakes but I'm not sorry'

### Cowen concedes his errors when minister and bad timing on VAT

JODY CORCORAN

THE Taoiseach Brian Cowen has said that the Government might not have increased VAT if it had known in advance that the Chancellor of the Exchequer was planning to slash VAT rates in the UK.

He has also admitted for the first time that, in retrospect, he made some mistakes as Finance Minister - but he is adamant that he has no reason to apologise.

In an exclusive interview with the *Sunday Independent*, Mr Cowen said: "Brian Lenihan said the Chancellor of the Exchequer subsequently changed his VAT rates in his Budget... if we knew that then we mightn't have gone ahead with it." But he said the VAT controversy was a "marginal

issue" and not the cause of the dramatic downturn in retail sales here. "The figures show it's not the fundamental issue. It is the exchange rate that is the problem."

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"The fact that sterling was effectively devaluing as our (currency) was strengthening meant that more people were going across the border for sales - and then it was put down to the half per cent increase in VAT."

In the interview last week, the Taoiseach said that if he had foreseen the current economic crisis he would have curtailed spending when he was Finance Minister.

He said: "If it could have been foreseen then, obviously the level of spending would have been less."

But he said nobody could have predicted the "falling off a cliff in tax revenue" which had occurred in the economic crisis since he became Taoiseach.

Pressed on whether he should apologise, Mr Cowen said: "The thing I'm very sorry about is that there are people now out of work that were in work... these are real issues for people and of course that is a matter of deep regret."

Asked if decisions he had taken as Finance Minister were at least in part responsible for that, the Taoiseach said: "All of the decisions that I took at the time were valid in their own right."

### BRENDAN O'CONNOR

# Deliver us from duelling dons

**W**E all know much more about economics than we ever wanted to know. But in many ways, the world of economists remains a mystery to us. We vaguely suspect that George Lee used to be one, McWilliams is a class of one, with a killer smile, and there are a few others knocking around who mainly work for banks.

Oh yes, and there's also Alan Ahearne. While he used to be a college lecturer who was primarily known for his extra few vowels, he is now running the country.

In the last week we got a unique glimpse into the world of economics through the Nama wars - or 'Calculators at Dawn: When Economists Attack'. We learnt for example that

economists aren't very good at going to war with each other.

Take Professor Brian Lucey of Trinity College. When he circulated a letter attacking Nama to 250 economics lecturers around the country asking them to sign it, one of the guys he emailed the letter to was Alan Ahearne, Mr Nama.

This was the equivalent of Churchill emailing his strategy to Hitler and it led to the odd situation whereby Ahearne was able to take Lucey's attack on Nama to pieces before Lucey had even published his attack. And I know what you're thinking. You're still back at that sentence that says there are 250 economics lecturers in the country. I know.

We also learnt that economists don't seem to be

very good at numbers. While less than 50 of the 250 - 20 per cent - agreed to put their name to Prof Lucey's letter, he pretty much claimed this as a result, saying that none of the 250 had disagreed as such, they just didn't want to get into a round robin.

And we learnt that economists are fairly thin-skinned. When Alan Ahearne methodically took Brian Lucey's letter to pieces in what seemed like a fairly calm way he was accused of personalised attacks. Now you and I know that a personalised attack on Lucey would be to call him fatty. But in the world of the economists, criticise a guy's approach to Nama and you hurt the very core of his being.

We knew things were getting out of hand when

George Lee accused Brian Lenihan of being hysterical. Hysteria, as every economist will tell you, is something women suffer from, and it is the worst thing you can accuse someone in the economic world of, as it suggests their analysis of the world is not solely based on graphs. Besides which, George Lee calling you hysterical is a bit like Charlie Bird telling you that you haven't been very visible since you went to America.

All in all, we can only hope this Nama debate continues for another while yet. It's great to see all these nerds tearing each other apart during their once in a lifetime moment in the spotlight. Because, mark my words, as soon as all this is over, we're back to ignoring those boys.

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