

## *The Celtic Tiger*

“Why Ireland Boomed” by James B. Burnham, in *The Independent Review* (Spring 2003), Independent Institute, 100 Swan Way, Oakland, Calif. 94621-1428.

How did Ireland’s economy become the powerful green tiger of the 1990s? It was more than just chance but less than a Reaganesque revolution, argues Burnham, a business professor at Duquesne University.

The transformation was undeniably dramatic. In the Ireland of the mid-1980s, he notes, “the unemployment rate reached 17 percent, emigration soared, [and] the government’s finances were a shambles.” But then came more than a decade of uninterrupted economic growth, accelerating in the late 1990s to a rate of nearly 10 percent a year. Inflation and joblessness declined, the government enjoyed a budget surplus, and young people who had left the country returned and found work.

There were no dramatic changes in government policy; the long-dominant party Fianna Fáil retained its grip on power, with only one interruption in the mid-1990s. In part, says Burnham, the success depended on demographics. When jobs were not available, high birthrates made for high unemployment and spurred emigration. But when the economy improved, those same birthrates “provided a large potential reservoir of young workers to support rapid, sustained growth.” Attitude was another favorable factor: The Irish welcomed foreign investment, particularly from the United States.

Foreign and domestic investors were reassured in 1987 when the government cut planned spending, abolished some agencies,

and, with tax evasion widespread, offered amnesty to delinquent taxpayers—thereby reaping a \$750 million windfall and effectively broadening the tax base. That set the stage for crucial “supply side” steps in the 1990s: reductions in marginal tax rates for both individuals and corporations.

The government-run telecommunications system—“perhaps the worst in western Europe” says Burnham—was turned over in 1980 to what four years later became a self-financing state enterprise, with a leading businessman in charge. By the end of the ‘80s, Telecom Eireann, still a state-owned monopoly (it would not be privatized until 2000), was a recognized leader in European telecommunications, “especially with respect to international services and charges.”

During the 1980s the government also expanded state-funded higher education, and re-oriented it to emphasize electrical engineering and information technology.

When technological advances in telecommunications and computers began to eliminate distance as a cost in the movement of anything that could be digitized, Ireland was well prepared to take advantage of the development.

It may have been “a scared, not a visionary, government” that took the first step, says Burnham, but pragmatic decisions—and a bit of Irish luck—eventually gave birth to the Celtic tiger.



*The International Financial Services Center in Dublin is a powerful symbol of the “Celtic Tiger” economy.*