

## Irish Economy

When Charles Haughey came to office in March 1987, Ireland was in an economic slump, with a large national debt and heavy exchequer borrowing. The 5% inflation rate and an unemployment rate of almost 20% were above the European Community (EC) average.

The government responded with conservative fiscal and monetary policies aimed at debt reduction, job creation and industrial restructuring. The debt was reduced as a percentage of national output from 131% in 1987 to 110% in 1989. Inflation was brought to under 4%, and unemployment dropped to 16%.

However, in 1990 the Irish economy slowed, with growth in gross domestic production (GDP) dropping from 4.2% to 3.6%, and consumer prices rising marginally from 3.3% to 4%. As well, the debt as a percentage of national output rose to 118%, as did unemployment to 17.2%. The terms of trade deteriorated significantly as the Irish pound (£) appreciated more than 25% against the U.S. dollar. This resulted in increased purchases of imported machinery and equipment, while growth in industrial production slowed from 12.8% in 1989 to 6.5% in 1990.

With one of the highest population growth rates and one of the youngest populaces in Western Europe, job creation remains the single greatest challenge to the government.

Ireland has been a major beneficiary of membership in the EC, and will continue to profit as the single market program is completed and economic and political union proceeds. Because of its relatively large agricultural sector, Ireland receives proportionally more from the EC Common Agricultural Policy than any other member state. Overall, it derives 4.4% of its GDP from transfer payments from Brussels, the highest of any of the 12 countries comprising the EC.

From 1973 to 1988, Ireland received a net inflow of £ 7.1 billion in EC funding, and will receive an additional £ 2.86 billion by 1993. Such new funding will be used to enlarge the infrastructure needed to sustain anticipated economic growth resulting from current and future foreign direct investment in the manufacturing sector.

EC membership thus provides Ireland with the financial means by which it can reduce unemployment and diversify its economy in order to reduce the relative importance of its agricultural sector.