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Former PM recounts greening of Ireland's sagging economy

BY SARAH MCGINNIS
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(Peter Walsh/Telegraph-Journal)
Dr. Garret FitzGerald was the Irish prime minister from 1981 to 1982 and 1982 to 1987. He is speaking tonight at the Atlantic Institute for Market Studies 10th anniversary dinner in Saint John.

Dr. Garret FitzGerald's suitcase is almost always packed. This former Irish prime minister travels around the world describing how his country went from being one of Europe's most depressed economies to one of its best.

In just 15 years Ireland completely overhauled its economy, becoming a European-centre for high-tech industry and creating what is now known as the Celtic Tiger.

Tonight New Brunswick's political and economic leaders will be at the Atlantic Institute for Market Studies 10th anniversary dinner in Saint John, hoping Mr. FitzGerald will offer ways to repeat the Celtic Tiger here.

"When I took office my country was nearly bankrupt," Mr. FitzGerald said in a lilting Irish accent. "I got a call saying we didn't have time to pick the cabinet. We had to hold an emergency meeting. The country was a mess."

Mr. FitzGerald was the Irish prime minister from 1981 to 1982 and 1982 to 1987.

The 1980s were a bleak time for the emerald isle, the grandfatherly figure explains. Unemployment rates soared above 16 per cent and educated youths emigrated in droves.

Previous governments cut taxes and boosted spending, despite Ireland's mounting debts. In four years the deficit tripled. The country faced borrowing 20 per cent of its gross domestic product just to stay afloat.

Mr. FitzGerald cut spending and raised taxes to restore financial order. It took five physically draining years to stabilize the economy. When it was done everyone in his government was exhausted, he admits. He believes his efforts set the stage for what would become one of the greatest economic growths in history.

The Celtic Tiger was no accident. One of the biggest steps was the creation of a series of national pay agreements beginning in 1987. The government convinced the country's trade unions to accept a series of modest wage increases in return for lower income taxes. Employees weren't receiving large annual raises, but by paying less tax they could buy more with the money they had.

In addition to these countrywide wage caps, the government cut corporate tax to lure foreign investment. It realized reducing corporate taxes was a key to attracting foreign investment, he said. By offering the lowest business taxes of any European Union member, Ireland positioned itself as an attractive portal for American companies looking to expand oversees.

Leaders then built on Ireland's greatest resource - its people. In the 1960s the government moved to publicly fund the network of private schools. Post-secondary education was expanded, tuition became free and students took advantage of all the schooling they could get, he said. Women, who had traditionally remained in the home, were also ready to enter the workforce. As a result in the1990s Ireland had a pool of highly skilled people waiting for work.

Ireland then fought to bring in high-tech industries.

They weren't looking for just any high-tech jobs. The call centre industry, which has been targeted here in New Brunswick, initially helped address unemployment. It was quickly passed over for pharmaceutical companies, computer manufactures and the emerging financial sector that brought in high-paying and more permanent jobs.

The results speak for themselves. From 1993 to 2001 the country had growth of 8.4 per cent every year. Ireland's public went from having one of the lowest purchasing powers in the European Union to well above average.

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