

## Introduction

The term "Celtic Tiger" is widely recognized as symbolizing the spectacular performance of the Irish economy throughout the 1990s. During this decade of consistently high growth in gross domestic product – by far the highest within the European community – the unemployment rate in the Republic of Ireland fell from nearly twenty percent to a the current level of about five percent. A pattern of emigration, especially among young people, that had persisted since the great famine of the late 1840s reversed itself; and Ireland is now experiencing net immigration. At the turn of the millennium Ireland has assumed a new position in the world economic order – no longer a weak sister of the British empire, but rather a vibrant member of the European community.

Several factors have contributed to this success story. Changes in public policy have been important. In the 1970s the Irish government made access to second level education universal, which created a highly educated and productive workforce. In the early 1980s the government reversed a pattern of lax domestic fiscal policy. A key result of putting national fiscal affairs in order was the ability to offer an extremely low corporate income tax rate as a further incentive for foreign direct investment. The reputation, and reality, of a welcoming environment of friendly people no doubt helped as well. But the salient explanation for Ireland's prosperity is without question its entrance in 1973 to the European Union. This made Ireland – an English speaking country on the western fringe of the EU – an inviting gateway to the European market for North American based multi-national firms. It also allowed Ireland to become the

beneficiary of a European Union policy that provides financial assistance to its less-well-off members. Direct grants in the form of Structural Funds from the EU have infused capital into the Irish economy for sorely needed infrastructure investments. Over recent years the aggregate level of this funding has totaled tens of billions of U.S. dollars.

Such was the situation in May of 2000 when the Student Associates of Lehigh University's Martindale Center for the Study of Private Enterprise visited Ireland for twelve days to begin their collective research venture. During this visit they had the opportunity to gain a firsthand perspective of the Irish economy. They benefited from presentations by, and discussions with, business leaders, university professors, and principals from government agencies and research institutes. They even had the opportunity to meet with two former taoiseachs (prime ministers). The students continued their research over the course of the 2000-01 academic year. The papers contained in this volume represent the culmination of their work.

Each of the papers focuses on a particular aspect of Ireland's economy. As a collection they present a wide-angle perspective of the factors that have contributed to this success story and of some of the challenges that have accompanied increased prosperity. The mosaic that emerges provides important lessons about the relationships that exist between the forces that fuel economic growth and a variety of social issues, lessons that may prove worthwhile for other emerging economies to consider.

Together the papers address four main features of the Irish economic experience. Several papers focus on the economic factors that played such a critical role in laying the foundation for the rapid economic expansion of the 1990s. Rebekah Berry explores how favorable corporate income tax rules helped to attract foreign direct investment in Ireland. Michael Carone examines the role of the educational system in producing a highly skilled labor force. Billie Morrow reviews the impact of European Union Structural Funds on the physical infrastructure of Ireland, with particular attention given to highway system.

Another group of papers focuses on key economic sectors. Timothy Doherty reviews the history of the Irish monetary system as a prelude to the introduction in Ireland of the common European Monetary Union currency, the euro. Kenneth Leung analyzes the evolution of the modern private banking system in Ireland, also explaining the impact that the new currency will likely have. Hrvoje Benko examines the important role that e-commerce has played in Ireland's stellar economic growth story.

A third set of papers examines how economic success has impacted pre-existing cultural and social issues in Ireland. Ryan Johnson explores how Ireland's entry into the European community will likely affect its long-standing policy of international political neutrality. Nick Strasser focuses on the structure of domestic politics. Erin Rebele examines the Irish health care system; and Rachel Patterson explores changes in the role of women in Ireland.

The remaining papers direct attention to social issues that have come about, or at least have grown in importance, as a result of Ireland's economic

growth. Erin Munley considers the increasingly apparent problem of pollution affecting Ireland's inland waters. Ashley Weber examines the social implications of increasing income inequality that may accompany the rise in overall prosperity. And Ross Hurwitz explores the most recent social phenomenon, net immigration (with particular attention on asylum seekers) in a country that has long witnessed a constant stream of emigration.

The papers that follow comprise a highly readable and very timely overview of Ireland's recent economic story. As a collection they provide a wealth of information that should prove interesting to readers – from business men and women interested in investment opportunities in Ireland to casual observers who simply wish to gain a better understanding about how such good things have happened in such a short time on this island nation at the western edge of Europe.

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