IRELAND AND THE NEW NORMAL

by Brennan Sorge

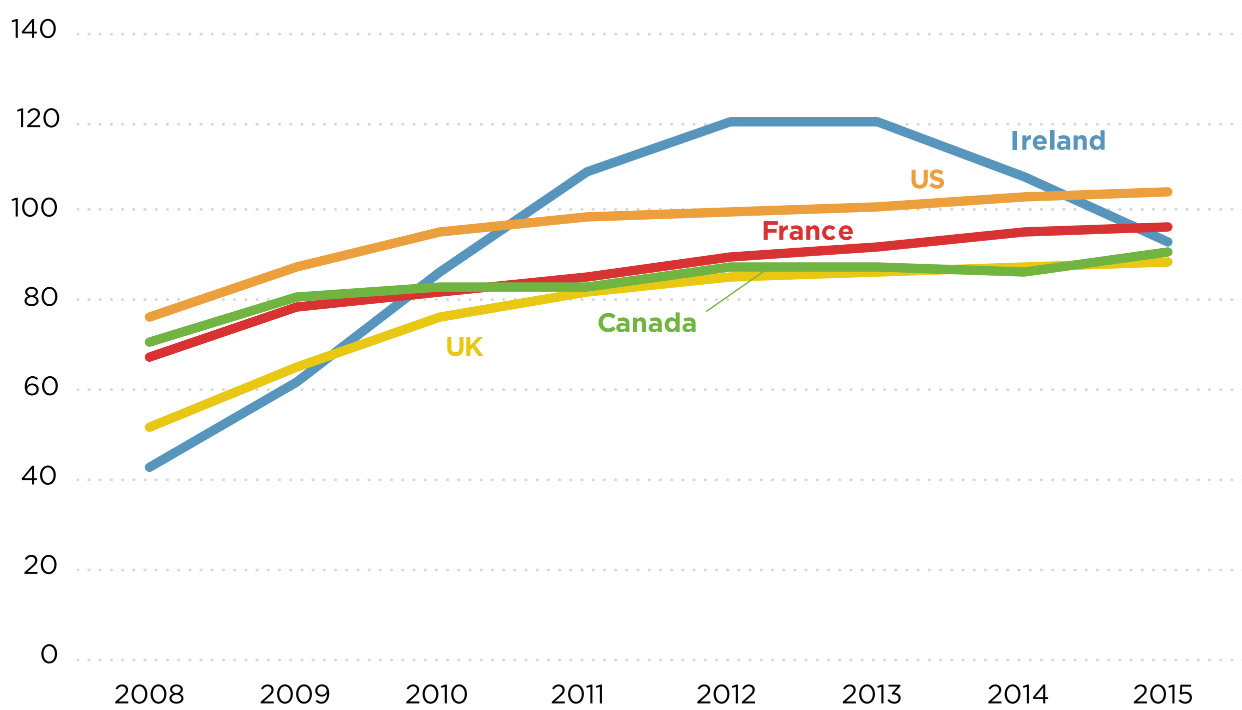
Across the developed world, many have seen a new trend develop, dominated by weak economic growth, persistent high unemployment, and low interest rates. It is a common enough trend to have received the title of "the new normal", suggesting that a low-growth economy is the new natural state of affairs.[1, 2] Given that many developed economies seem to fit this pattern, it becomes easy to believe that the new normal has become an inevitable state for our economies.[3] It suggests that current trends cannot be changed. I would argue this view to be mistaken.

All economies are ultimately a result of their participants' behaviour and

the policies that govern and influence that behaviour. No economic state is truly inevitable, and no trend is irreversible. An economy is the result of the accumulated actions of participants, and actions can always be changed. By this understanding, the new normal is the result of changed behaviours, and changed policies. If this is the case, higher growth and increased employment can be restored by changing government policy, and by allowing the effects of that policy to change behaviours.

There are some examples of governments that have changed policies in order to improve their weak economies. I would posit that

Debt-GDP Ratio (2008-2015)



Ireland is a good example. In the years following the financial crisis of 2008, Ireland faced severe economic challenges. Not only did Ireland experience a recession, but also a severe debt crisis.

If Canada were to encourage and facilitate growth in Canadian business, and the employment of Canada workers as Ireland has done, we too could see strong growth and more prosperity.

In 2008 Ireland had a debt/gdp ratio of 42%, which by 2012 had reached its astonishing peak of 120%.[4] However, in 2013, Ireland was able to stabilize its growing debt burden.

By 2014, Ireland had differentiated itself from most developed nations by achieving a rapidly declining debt/gdp ratio, dropping from 120% in 2013 to 94% in 2015.

It was possible for Ireland to recover from its debt crisis because of the extensive economic growth that Ireland experienced, earning 5.2% GDP growth in 2014, and 26.3% in 2015.[5, 6] There are a few ways that Ireland achieved growth of this level, including the consistent increases in economic freedom since 2013, and the reduction in corporate taxation from 12.5% to 6.25% for businesses that employ high skill Irish citizens in 2015. This tax rate is one of the most competitive of all the advanced economies, and serves to bring new business to Ireland from

abroad, and encourages growth among companies already within the country.[8] It was a competitive tax rate, and a business friendly environment that allowed Ireland to achieve the growth that it has accomplished[?].

If Canada were to encourage and facilitate growth in Canadian business, and the employment of Canadian workers as Ireland has done, we too could see strong growth and more prosperity. Government policies are within our control, and so too is the future of our economy. We may not reach 26% economic growth, but if following the Irish example can increase Canadian growth by even a few percentage points, it would be of an immense benefit to our country. More growth means more jobs, more opportunities, and the chance to reduce the burden of our debts.

Brennan Sorge is currently an Economics and Business student at Thompson Rivers University. His interests centre on the effects of law and policy on the economy, and he hopes to act on these interests in further study of both economics and law."

Endnotes

1 *Market Realist*, Bill Gross: The Economy Needs Credit Creation to Multiply Growth, http://marketrealist.com/2016/07/bill-gross-new-normal-thesis/, accessed June 28 2016.

2 *The Guardian*, Is stagnation the 'new normal' for the world economy, https://www.theguardian.com/business/2016/feb/03/is-stagnation-the-new-normal-for-the-world-economy, accessed June 28 2016.

3 OECD, *Quarterly National Accounts*, http://stats.oecd.org/index.aspx?queryid=33940#, accessed August 15 2016.

4 Trading Economics, *Ireland Government Debt to GDP*, http://www.tradingeconomics.com/ireland/government-debt-to-gdp, accessed June 31 2016.

5 Central Statistics office, *National Income and Expenditure Results 2014*, http://www.cso.ie/en/releasesandpublications/er/nie/nationalincomeandexpenditureannualresults2014/, accessed August 2 2016

6 Central Statistics office, *National Income and Expenditure Results 2014*, http://www.cso.ie/en/releasesandpublications/er/nie/nationalincomeandexpenditureannualresults2015/, accessed August 2 2016

7 Heritage Foundation, *Index of Economic Freedom*, http://www.heritage.org/index/country/ireland, accessed August 15 2016.

8 Central Statistics office, *Statistical Yearbook of Ireland 2015*, http://www.cso.ie/en/releasesandpublications/ep/p-syi/statisticalyearbookofireland2015/business/industry/, accessed August 21 2016