

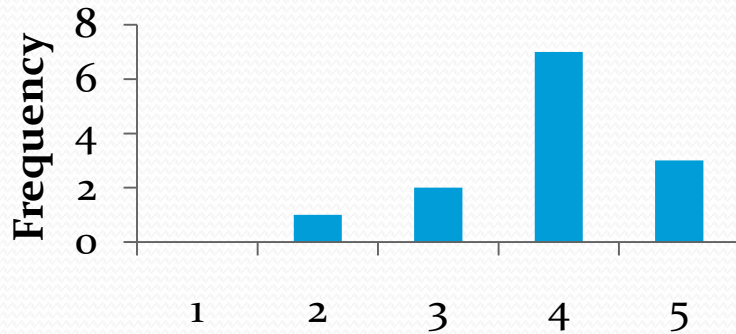
# EC1800 ECONOMICS

Lectures 16-18

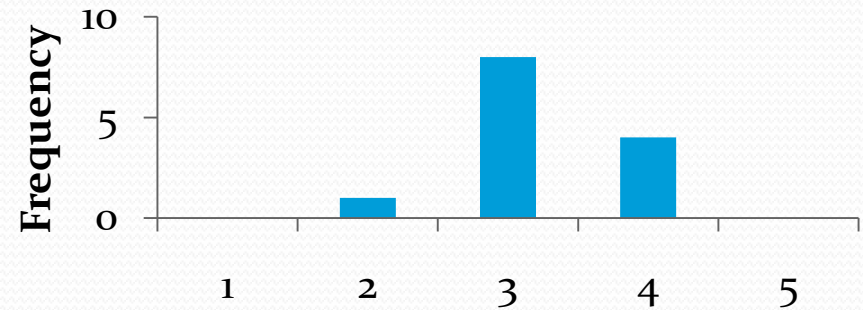
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# Last Week's Feedback Form Results

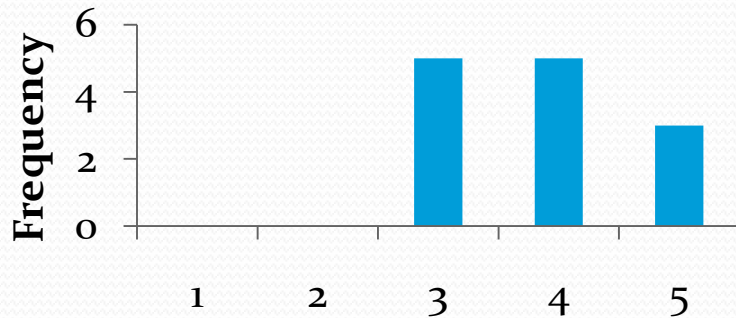
## Boring/Interesting



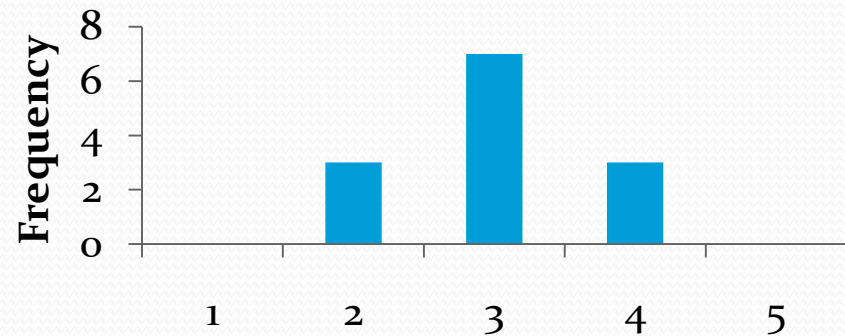
## Slowly/Quickly



## Confusing/Clear



## Hard/Easy



# Feedback So Far

Date	Boring/ Interesting	Slowly/ Quickly	Confusing/ Clear	Hard/ Easy	Average Hours Studied	Average Section 1 Mark	Average Section 2 Mark
11 <sup>th</sup> Nov	4.5	3.78	4.44	3.22	7.67	54.17%	58.30%
18 <sup>th</sup> Nov	4.5	3.75	4.08	2.92	4.1	79%	8%
25 <sup>th</sup> Nov	3.46	3.38	3.69	2.92	2.03		
2 <sup>nd</sup> Dec	4.33	3.33	4.25	2.83	3.06		
9 <sup>th</sup> Dec	3.92	3.23	3.85	3.0	3.69		

**So what did you think  
about the Reading?**

# What We Covered Last Week I

Week 1: Types of Wealth

Week 2: Sustainability of Wealth

Week 3: Stability of Wealth 1/2

Week 4: Stability of Wealth 2/2

Week 5: Economic History of Ireland 2/2

(after the Celtic Tiger)

**Week 6: Economic History of Ireland 1/2**

**(before the Celtic Tiger)**

Week 7: Recap

# What We Covered Last Week II

- Ireland's economy is just plain weird:
  - It's small, culturally homogenous (very similar all over), trades very heavily without world and has low density of population (unlike rest of Europe)
    - The Irish behave more like Americans than any other Europeans
- Between 1995 and 2004, Ireland's economy nearly doubled
  - However much of that was a rising presence of multinational corporations in Ireland

# What We Covered Last Week III

- Summary of Causes of Celtic Tiger (in order):
  1. Labour Force Participation (biggest cause by far!)
  2. Demographics
  3. Education
  4. Foreign Direct Investment (mostly from US)
  5. EU Subsidies
  6. Wage Restraint/Social Partnership
  7. Paid off the National Debt

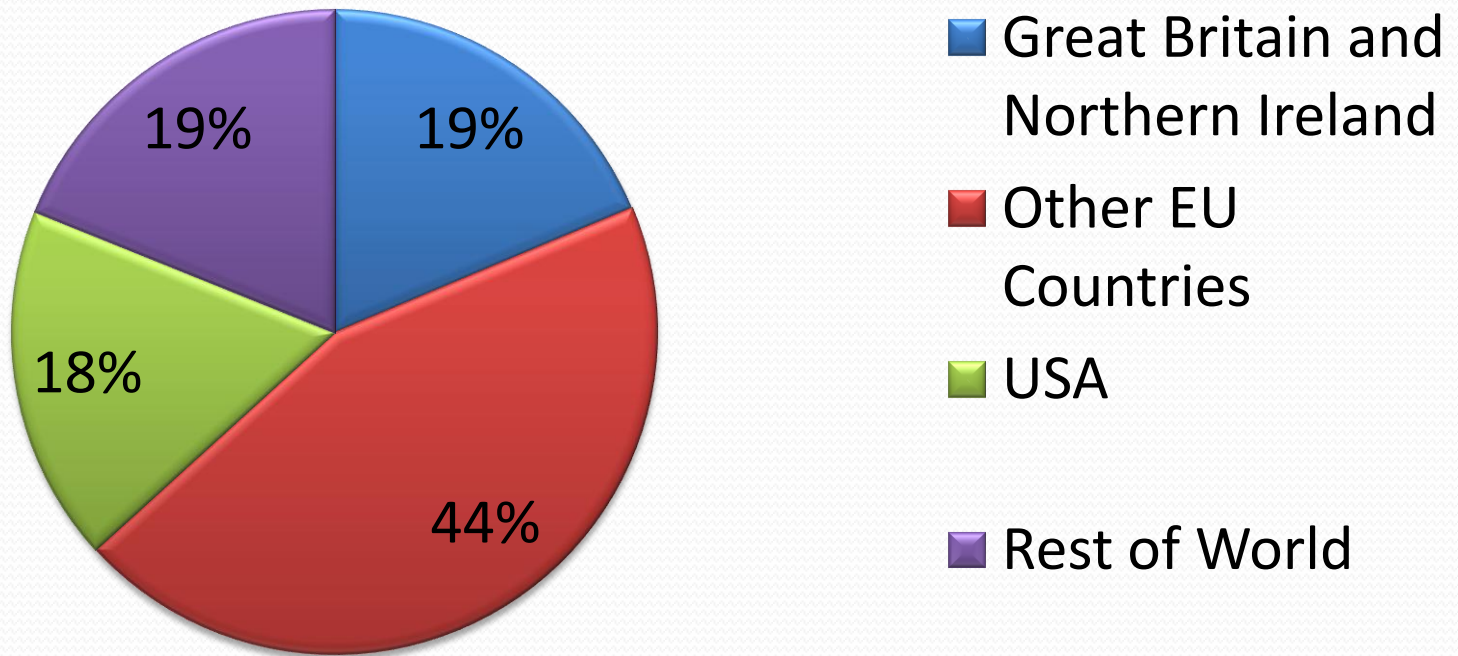
# What We Covered Last Week IV

- Without multinational corporations (the “leeching effect”), Economists think that Ireland’s GDP would be around 30% lower than it is
- This would make Ireland about *average* in the EU
- Since 2000 we have only grown at an average of 1% if you exclude multinational corporation investment
- Effectively, Ireland has imported a slice of the US economy which is run in parallel to our own
  - Hence productivity & economic activity appear much better than they actually are (Irish workers are several times more productive working for US multinationals than they are working for Irish firms)



38% = US/UK, 44% = EU

## Irish Exports in 2007



# Last Week's Experiment I

- Last week's experiment where you wrote down the top five "most important to the economy" events from your memory was a real success
- In fact, between you, you all hit the nail directly on the head!
  - Almost every event that you guys wrote down is mentioned in your Christmas readings taken from the Economic literature on the Celtic Tiger!!!
  - You guys must be natural born economists because you've done as well as any of the fully trained ones!

# Last Week's Experiment II

- There were two main types of answer that you gave:
  1. Relative to Ireland
  2. Relative to Cork
- Interestingly no mention was made of worldwide events except as “a global boom/recession” or 9/11
  - Only one person mentioned the recent influx of Eastern European workers
- Joining the EU came up a lot, as did multinational behaviour in Ireland

# The Economic History of Ireland I

- This is very interesting, because the Irish are very unique in tending to primarily see themselves **as part of a greater whole**
- There are very few countries which do this, and it's down to Ireland's unique history
- What comes is Niall's best attempt to explain the Irish economy
- It is entirely linked into our history

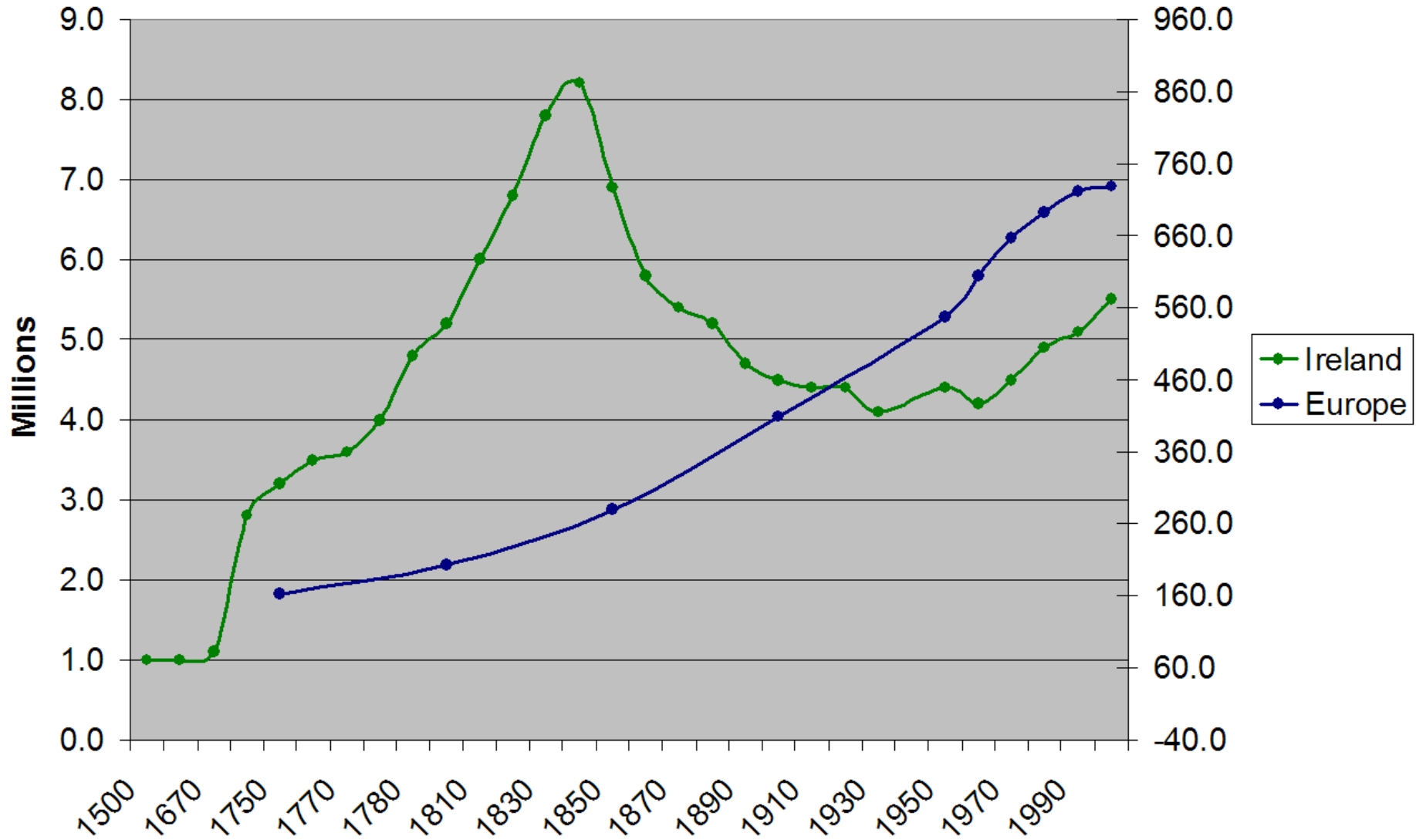
# The Economic History of Ireland II

- Mid 19<sup>th</sup> century: Ireland is poor relative to Britain, but is well above the European average
- Ireland is structured (like almost all European countries of the time) as a wealthy, educated & powerful ruling elite and a poor peasantry
- Before the potato famine, almost all of the ruling elite were Anglo-Irish Protestants whereas almost all of the peasantry were Catholic
- The peasantry had very little incentive to improve their lot of land as they didn't own it

# The Irish Potato Famine I

- Potato Famine lasts 1845-1852, at the end of which Ireland's population has shrunk by 20-25%
- British response between 1845-1847 was actually more than adequate to prevent famine (the corn provision)
- However in 1847 the British government (under a new leader) tried to push responsibility onto the land owners for feeding the poor, cutting off all other forms of aid
- This created a big incentive for land owners to evict as many tenants as possible (additionally, the Poor law would not provide for anyone with land which encouraged surrender of one's plot)

# Population of Ireland and Europe



# The Irish Potato Famine II

- As a result, perhaps 1.5m Irish emigrate to form *the Irish Diaspora* in the UK, Europe and most importantly, the US
- As is well known, Food exports out of Ireland rose during the Famine
- Why didn't the British government do more to prevent the famine?



# The Irish Potato Famine III

- It had become believed that people who had not looked after themselves should live with the consequences of their actions (*laissez-faire*)
- If people went off and had more children than they could feed, then they would never learn to behave more responsibly if government kept bailing them out
- This change in worldview also caused the Scottish Highland Clearances
- We still believe this today: remember, if we wanted to end world poverty we could do so completely within six months if we so chose

# The Irish Potato Famine IV

- What happened next?
  - Now there was lots of free land relative to before
  - A lot of Protestant landlords had fled due to famine-related violence
  - Substantial land reform was enacted to prevent the situation emerging again, specifically by giving tenants rights to self-improvement
    - i.e. If they improved their land, they could reap the rewards
  - For the first time since the Flight of the Earls (in 1607), Catholics began to accumulate money, land and power

# The Irish Revolution I

- By the early 20<sup>th</sup> century, there was an entire Catholic business class who attended the same universities and worked for the same companies as the Anglo-Irish Protestants
- Moreover, they were a *bridge* unifying the poor and the elite
- Finally, the entire island could organise as one for independence

# The Irish Revolution II

- We forget that many of the 1916 and 1921 risings were Protestant or of Protestant descent e.g. Cathal Brugha and Richard Mulcahy
- Protestants also bankrolled the revolution by providing lines of finance, business contacts for arms purchases and of course contacts inside the British intelligence services
- Michael Collins worked for ten years in the Post Office Bank and at a stockbrokers in Moorgate in London before the 1916 rising
- That financial services experience was **instrumental** in organising the National Loan both at home & abroad which financed the revolution (£1m in 1920 British pounds = £33m today = ~€50m)

# The Irish Revolution III

- One *could* look at this story as Ireland being punished for being irresponsible during the famine, and in response learning to stand up for itself and become free by becoming **better** than their masters
- The 1922 treaty was actually forced on the British end by King George and Field Marshal Jan Christiaan Smuts. Why?
  - Because the Field Marshal thought the Irish strategy to not just be brilliant, but the mark of the future
  - And King George agreed that the Irish now led the way over the British

# The Irish Revolution IV

- Why did the British King and Field Marshal Smuts think so highly of the Irish?
  - They had drawn together a set of disparate cultures to create an effective force (the beginnings of multiculturalism)
  - They had also leveraged the latest in asymmetric warfare such as the use of the media, information asymmetries, financial services and so on
  - Smuts in particular saw this as the future of not just Europe, but the world

# The Irish Revolution V

- It is important to not underestimate this:
  - Einstein had said that the two mental constructs which will direct human thinking during the next millennium would be Relativity and Holism
  - Holism is looking at a system and seeing more than the sum of its parts (like this EC1800 module!). Smuts invented Holism
  - Relativity is recognising that all systems can only be viewed relative to themselves and was invented by Einstein

# The Irish Revolution VI

- The 1921 Irish Revolution had demonstrated a deep understanding of both of these principles:
  - Through how and where to attack Britain
  - Through the use of intelligence and information rather than physical force
  - Through the use of the Irish abroad in all nations
  - Through much superior organisation
  - Through drawing things together rather than dividing them apart



# The Irish Revolution VII

- Why is all this important?
  - Because somehow Ireland went from being seen as backward to being seen as inspirational
  - The remainder of Irish history since 1922 is a swing between the world seeing us as backward and the world seeing us as world-leading
  - Equally, Irish politics finds itself becoming afraid of having “gone too far” and the nation turns inwards
  - Then, as our economy nears meltdown, we somehow go even further ahead than anyone else and once again lead the way through innovation
- Remember: Globalisation = first attempt at Holism

# The Economic History of Ireland III

- Recent economic history of Ireland (descriptive):
  - 1922-1932: Progressive. Irish economy does badly till 1925 due to the Civil War, but thereafter does well
  - 1932-1957: Regressive. Irish economy declines rapidly against Europe's, falling from 70% of European average to just 55%. We miss out on the post-WW2 boom entirely
  - 1957-1973: Progressive. Ireland's economy matches Europe's though at about 57% of European average
  - 1973-1979: Ireland joins the EEC. Money pours into agriculture and Irish punt is broken from Sterling

# The Economic History of Ireland IV

- Recent economic history of Ireland (normative):
  - 1922-1932: Pro-treaty side is pro-business
  - 1932-1957: Anti-treaty side believes too much change has occurred and insulates Ireland from the world for its own good. Tries to develop native industry (and fails)
  - 1957-1973: Gives up on native industry and tries attracting foreign industry (some successes)
  - 1973-1979: Ireland properly detaches itself from identifying itself with Britain by committing to Europe far more strongly than Britain does

# The Economic History of Ireland V

- Why was how Ireland identified itself so important?
  - Before the 1970s, Ireland always looked to Britain for ideas
  - When we decided we were more European than British, we tried instituting a European style welfare state 1977-1981 (copying the Europeans rather than the British)
  - Why did we decide to do that? Probably *hubris* from all the subsidy payments (**we felt rich!**)
  - We did this through massive borrowing of up to 20% of our entire economy per year
  - Within five years, our economy was on its knees. The punt deflated, causing runaway inflation and soaring unemployment

# The Economic History of Ireland VI

- Why does borrowing affect your currency?
  - If as a country you borrow money, you must pay interest on that money
  - If your country's economy starts to look bad, the lender will raise the interest rate (because they are worried you won't be able to pay)
  - The higher interest payments mean rising taxes and further depression of the economy
  - Money which would be invested leaves (supply drops)
  - The currency drops as fewer people want to buy it
  - Interest payments rise still further (as foreign debt is in a foreign currency)
  - The whole cycle repeats! (more borrowing, more interest payments, more currency depreciation)

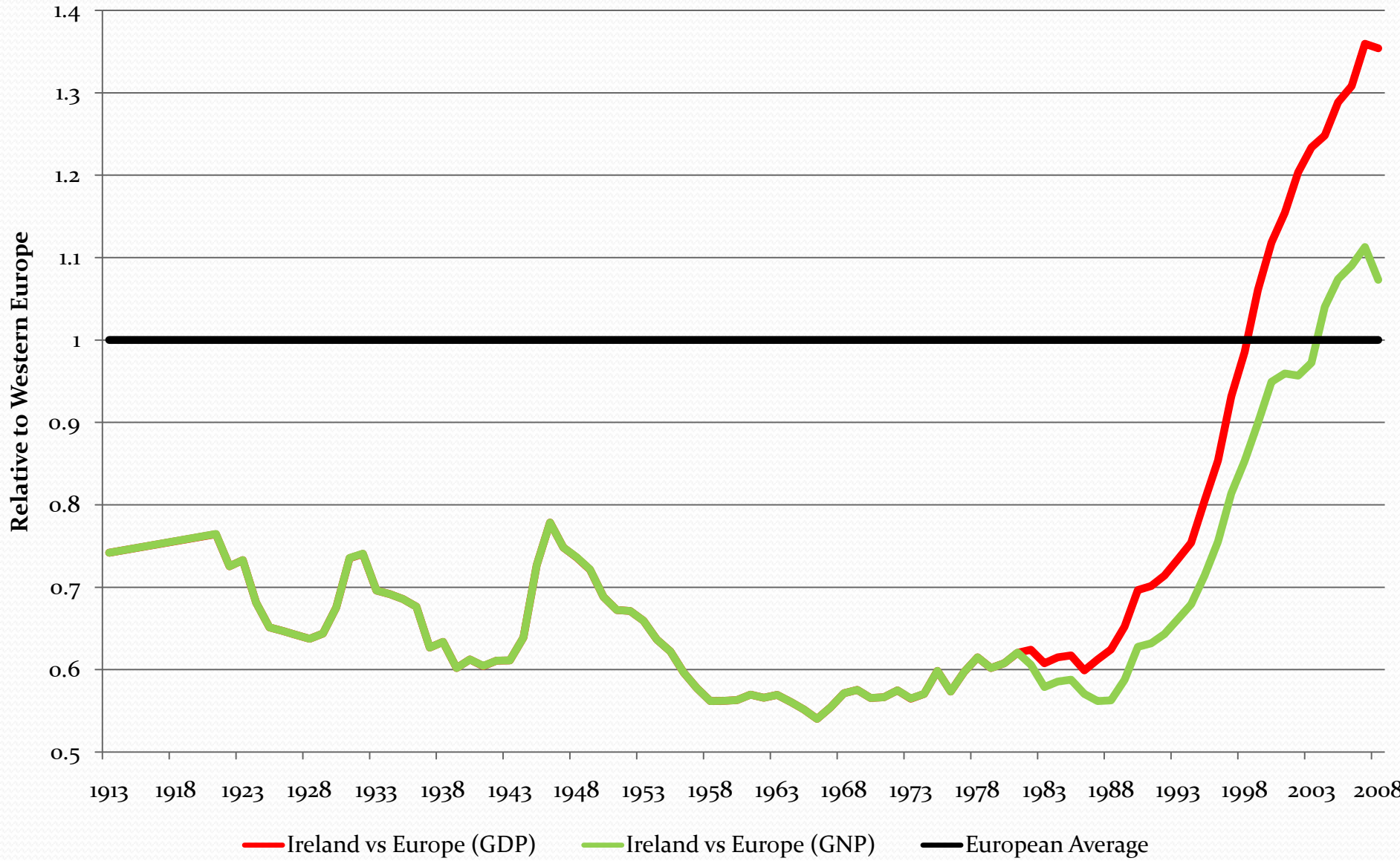
# The Economic History of Ireland VII

- Obviously enough, if your currency drops in value, then your imports rise in price
- This is happening right now in Britain where food & energy imports have high inflation
- This is because Britain has borrowed heavily and is going to borrow a lot more, so its currency has depreciated
- It's similar to Ireland in the early 1980s

# The Economic History of Ireland

## VIII

- 1981-1986: Everyone disagrees about what to do about the Economic crisis. Meanwhile, Ireland completely misses out on the worldwide economic boom of the 1980s (again!)
- 1987: Everyone stops squabbling (the Tallaght strategy) and severe cuts are begun
- 1990: Celtic Tiger has actually already begun though no one can see it yet because ...
- 1991-1993: Exchange rate crises cause Ireland to heavily raise interest rates to prevent speculator attack (the same guys made Britain exit the EMU). There was also a worldwide recession
- 1994+: Interest rates drop substantially and Celtic Tiger is released!





# The Economic History of Ireland IX

- As is very obvious from the previous slide, GNP (Gross National Product = the amount of activity generated by Irish citizens) has simply caught up with the Western European average. GDP (Gross Domestic Product = the amount of activity generated within Ireland) is between 20-25% higher
- Chances are that after this recession, Ireland will end up at around the EU15 average in GNP
- The fact we didn't reach it sooner is a mixture of bad timing and a lack of self-confidence to make our own way in the world without freaking out

# The Economic History of Ireland X

- That said, if we had more self-confidence then we could do far better than we already have
- In Niall's opinion:
  - We have repeatedly demonstrated that we have something which other nations do not: *the ability to see ourselves as part of a wider whole*
  - If we as a nation could fully embrace that, we could become one of the world's most important nations
  - Sadly, we only bring this part out of us when we are in severe trouble, then forget about it when things become good again

**What do you think?**

**Am I crazy?**

**Questions?**

# How to write an essay I

- The last part of this lecture is on writing your essay
- You have plenty of handouts throughout the course plus PLENTY more on Blackboard
  - (they're not uploaded yet, but they will be next few days)
- If you look at the bottom left corner of the 2004 Economist handout, there is a list of references for readings used in that article
- Also consult the Bibliography of each of the academic papers for even more sources

# How to write an essay II

- Don't forget to ask staff in the UCC library for help – they can be very helpful, they can even sit with you and work the searching on the computer for you if they aren't busy
- You will need to use a UCC computer to access electronic resources such as back issues of the Economist (or else get an external account set up from the library)
- However, all that said, it is surprising how much stuff is on Google if you're good at searching the internet

# How to write an essay III

- What I'm about to say is fairly general for all academic writing
- How to Fail:
  - Failure to submit
  - Failure to answer the question
  - **Plagiarism**
- How to get a Pass:
  - Submit something, even if it isn't very good
  - At the end of every paragraph, ask yourself if you are answering the question. I personally reread the question every time I finish a paragraph

# How to write an essay IV

- 40-60%: Some knowledge of the topic, but seriously flawed by one or more of the following:
  - Absence of critical awareness
  - Superficial understanding of the topic
  - Major misconceptions
  - Some irrelevant material
  - Poor organisation and presentation

# How to write an essay V

- 60-70%: Adequate answer, but flawed by one or more of the following:
  - Overly descriptive/lack of critical understanding
  - Incomplete understanding of the topic
  - Little knowledge of relevant literature
  - Poor use of examples/illustrations
  - Poor organisation and presentation



# How to write an essay VI

- 70-75%: Satisfactory answer characterised by:
  - Some critical awareness and consistent argument
  - Reasonable understanding of topic
  - Knowledge of relevant literature/evidence of reading beyond lectures
  - Use of relevant examples/illustrations
  - Reasonable organisation and presentation

# How to write an essay VII

- 75-85%: Highly satisfactory answer characterised by:
  - Critical judgement and sound argument
  - Solid understanding of the topic
  - Sound knowledge of the relevant literature/evidence of reading beyond lectures
  - Good use of examples/illustrations
  - Good organisation & presentation

# How to write an essay VIII

- 85%+: Excellent answer characterised by:
  - Originality/critical judgement & logical argument
  - Thorough understanding of topic
  - Sound knowledge of relevant literature and wider literature
  - Excellent use of examples/illustrations
  - Excellent organisation & presentation

# How to write an essay IX

- Tips of the trade 1/3:
  - Remember that graphs & illustrations do not count towards the word count – therefore, the best academic essays always use a lot of pictures
  - Generally speaking, the more pages it has, the higher mark it receives (despite what anyone might tell you!)
  - Generally speaking, the best grades go to essays with a long (but relevant) bibliography. A full A4 page is about right for a 1,500 word essay, so about twenty to thirty entries

# How to write an essay X

- Tips of the trade 2/3:
  - For science-type “hard” subjects (Economics, anything with Stats or Maths), **logical argument** will earn the best marks. Make sure your paper argues in a consequential logical fashion with **excellent** structure in the paper
  - For philosophy-type “soft” subjects (Sociology etc), **breadth of argument** will earn the best marks. Make sure your paper covers all angles treated by the relevant literature and does an excellent job of fully depicting each position in as few words as possible

# How to write an essay XI

- Tips of the trade 3/3:
  - Remember to summarise the gist of every paper you reference (between one and three lines)
  - Remember to say why that paper/book/article is relevant to your argument (a lot of people forget to do this)
  - Don't copy & paste from the first hundred results returned by Google without referencing them. You can copy & paste as much as you like **so long as you say where you got them from**
  - If you do copy & paste, don't try to pass off an entire paper from someone else as your own – at least **rewrite it into your own words**. There is computer software to check for cheating!

**See You in 2009!**

**Merry Christmas!**