

A Look at Ireland Early in the 21st Century

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Introduction

Much has been written about the success of the Irish economy, particularly during the decade of the 1990s, including a paper presented at the 27th European Studies Conference by this author, *The Celtic Tiger: Miracle or Myth*. As will be discussed, part of this success was attributed to the strength of the United States' (US) economy and the close ties of Ireland and the US. Because of these close ties, many economic experts predicted that when the US economy slowed down in 2000 and 2001, the Irish economy would follow suit. This paper will initially attempt to assess the accuracy of that prediction by looking at how the Irish economy did during the first five years of the 21st century.

A second concern with the success of the Celtic Tiger was that the benefits derived there from were not received proportionally throughout the economy. In other words, one outcome of the Celtic Tiger was that the rich became richer while the poor were left further behind, similar to what occurred in the US during the 1980s. This paper will, therefore, secondarily attempt to determine whether this concern has been borne out in fact or not.

Another factor that no doubt contributed to the success of the Irish economy was the fact that it is a member of the European Union (EU). As a result of EU membership Ireland received significant benefits from the Common Agricultural Policy (CAP) and from the receipt of structural and cohesion funds during the 1990s. Not surprisingly the Irish voters have long been strong supporters of closer EU integration. For instance in the 1972 referendum on whether Ireland should join the European Community (EC), the EU's predecessor, more than 83 percent of the voters voted in favor. Fifteen years later, Ireland strongly endorsed the Single European Act (SEA) with 70 percent of the voters voting affirmatively. Five years after that, Ireland voted in favor of the Treaty on European Union (TEU), more commonly referred to as the Maastricht

Treaty, with 69 percent of the voters voting in favor. With this history of being very pro-integrationist, it came as a huge shock when, a decade later, Ireland initially voted against the Treaty of Nice with 54 percent of those voting, voting against ratification. This paper will examine the reasons behind this significant change in attitude.

Finally, this paper will take a look ahead as to what the future may hold for Ireland economically over the medium term and attempt to identify some of the challenges Ireland faces as a society. It will also look at Ireland's place in the recently expanded 25 member EU, with two more countries, Bulgaria and Romania, set to join within the next 18 months.

The Celtic Tiger

This paper will not attempt to rehash the economic data that was presented in *The Celtic Tiger: Miracle or Myth*, however, a few highlights are important to demonstrate the significant strides that the Irish economy made, particularly during the 1990s. In the decade 1981-90, the Irish Gross Domestic Product (GDP) on a Purchasing Power Standard stood at 66.3 percent of the EU average. By 1991 Ireland's GDP had reached 76 percent of the EU average. Five years later it was 93 percent of the EU average. The five year change is probably not a fair comparison because three richer than average countries – Austria, Finland, and Sweden joined the EU on 1 January 1995, which obviously raised the average. Nonetheless, the next year, 1997, Ireland's GDP exceeded the EU average at 102 percent.

As the following table indicates, Ireland's GDP has continued to increase, relative to the EU average, every year moving past Denmark into second place behind Luxembourg in 2001.

(Insert Table 1 about here)

Although perhaps somewhat simplistic, it is probably safe to conclude that Ireland's economy has continued to grow quite significantly during the first five years of the 21st century.

Another statistic supports this conclusion. As the following table indicates, Ireland's GDP growth rate continues to be significantly higher than the EU as a whole. While it is unrealistic to think that Ireland's mature economy would or could sustain the high single digit and double digit growth rates of the late 1990s and 2000, as Table 2 indicates, Ireland's GDP growth rates have continued to exceed the EU average, whether that average includes only the EU-15 or the expanded EU-25.

(Insert Table 2 about here)

Taken together, it does appear that the Irish economy has continued to prosper during the first five years of the 21st century. Or, as the Economic and Social Research Institute in Ireland (ESRI) states

After a decade of generally high growth and low unemployment there is a growing aura of invincibility about the Irish economy. Even the short slowdown of 2001-03 did not lead to an appreciable rise in unemployment....The unemployment rate is close to the full-employment level, the lowest in the EU, and Ireland is seen to be the most attractive labour market in Europe (ESRI, 2005, p. 1).

In *The Celtic Tiger: Miracle or Myth* the following factors were listed as the most significant among the many factors that lead to the significant growth in the Irish economy:

- Opening of the Irish economy in the 1960s.
- Revolutionizing the Irish educational system, also in the 1960s.
- Joining the EC in 1973.
- Implementing social partnerships beginning in the late 1980s.
- Declining birth rates beginning in the 1980s.

It will be helpful to look at each of these factors briefly.

Historically, the Irish economy was very closely tied to the economy of the United Kingdom, even after gaining independence there from in 1922. During the next 40 years, the various Irish governments followed very protectionist policies. However, by the 1960s it was apparent that Ireland's economy was still too closely tied to England. Ireland, along with the United Kingdom, had attempted to join the EC in the early 1960s only to have withdrawn its application when French President Charles de Gaulle indicated his intention to veto the British application. As a result the Irish government had to look beyond EC membership as a way to open its economy. One thing that Ireland had going for it, and that it began to exploit more openly, was its low corporate income tax rate of 10 percent on manufactured goods. This was by far the lowest in Europe and coupled with the fact that Ireland has an English-speaking work force made it an ideal location for US firms, who desired access to the EC, to locate.

In addition to the opening of the economy, the Irish government made significant changes in the Irish educational system. Free secondary (equivalent to high school in the US) education was introduced. Third-level (equivalent to college or university in the US) education was expanded with a greater focus on mathematics and the sciences. The result was a work force that was well equipped to fill the high-tech jobs that many US firms would come to require.

Ireland joined the EC in 1973 after Charles de Gaulle resigned as French president and took with him the threatened veto of Britain's application. As mentioned earlier, Ireland benefited from EU membership through receipt of CAP funds as well as structural and cohesion funds. Perhaps more significantly, EU membership allowed Ireland the ability to wean itself from its substantial reliance on the British economy. For example, by 1995 the UK accounted for just over 25 percent of Irish exports, essentially half of what it had been two decades earlier.

Beginning in 1988 the Irish government entered into a series of social partnerships with various trade unions. While these agreements gave the trade unions some say on tax matters and other aspects of fiscal policy, the most significant aspect was that the trade unions agreed to limit wage increases to no more than 5.6 percent, at least until the mid-1990s. It was these agreements that led to the criticism that the Celtic Tiger was built on the backs of low-wage earners.

The decrease in birth rates that has occurred since the 1980s has caused a significant increase in women's participation in the work force. It is interesting to note, however, that rather than causing greater overall employment, this increase has been somewhat offset by a decrease in male work force participation. Nevertheless, despite ESRI's claim that the unemployment rate is near full-employment level, Ireland has had to rely upon significant immigration over the past decade to achieve these near record levels of employment. Ireland has gone from a country of emigrants to become a country of immigrants.

In spite of this positive picture, concerns have been raised that the Celtic Tiger has not provided benefits to the entire Irish society. Various authors, writing in the late 1990s and early 2000s, have identified some of the negative aspects of the Celtic Tiger.

Kieran Allen has argued that it is US companies that have benefited most from expansion of the Irish economy. He suggests that Ireland is the most US-dependent country in the world with more than 16 percent of its GDP coming from US firms in 1997, significantly more than Singapore and Canada, which were the second and third most US-dependent economies at 9.4 and 9.2 percent respectively. Further, nearly 25 percent of Ireland's manufacturing workforce was employed by US companies in 1996.

Dennis O'Hearn echoes Allen's concerns. O'Hearn points out that "during 1983-90, Irish-owned firms received average profit rates of 2.7 percent while TNCs (transnational

corporations) averaged 21.4 percent. ...US subsidiaries averaged 29.3 percent” (O’Hearn, 1998, p. 43). Making the matter worse, in 1990 US firms in Ireland accounted for 33 percent of industrial output, 51 percent of exports, and 76 percent of profits while providing only 25 percent of wages paid.

In addition to concerns about the Irish economy being too dependent upon the US economy both authors raised issues with the type of employment that the Celtic Tiger has generated.

Half of new employment was routine clerical workers, shop assistants and miscellaneous service workers. Another third was classified as professional and technical workers, but even these jobs were mostly low-paid semi-skilled work. And more than a tenth of the new jobs were in the booming tourism sector, where employment is notoriously unstable and low paid (O’Hearn, 1998, p. 99).

Allen agrees.

The Celtic Tiger was often built on a regime of low pay and there has been a constant pressure on the unemployed to take up poorly rewarded employment. The Republic of Ireland comes second only to the United States in terms of the proportion of its workforce categorized as low paid, with twenty-three percent of the workforce earning less than two-thirds of median earnings (Allen, 2003, p. 68).

Another indicator of the fact that economic gains were not proportional throughout the entire economy is again provided by Allen “employment through temp agencies grew by 116 percent between 1988 and 1996” (Allen, 2003, pp. 57-8).

It should be pointed out that Allen and O’Hearn are not economists; rather they are sociologists who believe that focusing primarily on conventional economic indicators, such as GDP, hide the

fact that the Celtic Tiger has produced a country of increased income inequality and marginalization.

Through the years various surveys, specifically the Household Budget Survey and the Living in Ireland Survey, have been undertaken in an effort to better understand the health of the Irish economy. Bertrand Maitre and Brian Nolan have used data from these surveys in an attempt to measure income inequality. One measurement tool used by Maitre and Nolan was the Gini coefficient, which is derived from the ratio of income accruing to some percentage of the population to the total population. If everyone in the population earned an identical income the Gini coefficient would be zero. On the other hand, if all the income went to one person the Gini coefficient would be one. In other words the higher the Gini coefficient the greater the inequality. Another measurement often used to measure inequality across a population is income decile analysis wherein the share of total income accruing to a given 10 percent of the population is determined (the bottom 10 percent, the next 10 percent...).

The results of Maitre and Nolan's analyses are summarized below:

(Insert Table 3 about here)

The Household Budget Survey was a survey which reported detailed income data by the Central Statistics Office, while the Living in Ireland Survey reports data on income levels, labor market activity, and family situation. Table 3 shows minor differences reported by the surveys for the 1994/5 and 1994 periods primarily due to the timing of the fieldwork involved in the data collection.

As the data in Table 3 shows, Ireland experienced a decrease in income inequality from 1973 to 1980 and again from 1980 to 1987. This was evidenced by both a decreasing Gini coefficient as well as decreasing percentages of income accruing to the top decile. However, an

increase in income disparity occurred from 1987 to 1994/5 as evidenced by an increase in the Gini coefficient and decreasing percentages of income to the bottom four deciles. Although, the top decile stayed the same, the 7th through 9th deciles all experienced increases in 1994/5.

As pointed out earlier Ireland's GDP exceeded the EU average for the first time in 1997. Perhaps one would have expected that income disparity would be greater in 1997 than in 1994. Surprisingly, that did not turn out to be the case. As shown in Table 3 the Gini coefficient decreased in 1997 as did the percentage of income in the top decile.

It would have been helpful to find comparable data for a year(s) subsequent to 1997, however, none were available. Therefore, it was necessary to find another way to determine whether the 1997 data was an anomaly or whether it was truly indicative of a trend and that the Celtic Tiger has not led to income inequality as argued by Allen and O'Hearn.

Extracting from the 2000 Living in Ireland Survey data Nolan and others found that utilizing relative income (below 60 percent of median disposable income), the percentage of Irish falling below that standard increased from 16 percent in 1994 to 22 percent in 2000. This is the standard measurement used in calculating the Human Poverty Index by the United Nations Development Program and suggests that more people fell below the poverty level in 2000 than in 1994. However,

By contrast, the percentage of persons falling below income levels indexed only to prices (rather than average income) since 1994 or 1997 fell sharply, reflecting the pronounced real income growth throughout the distribution between then and 2000. This contrast points to the fundamental factors at work over this highly unusual period: unemployment fell very sharply and substantial real income growth was seen throughout the distribution (Nolan, et. al. ESRI, 2002, Abstract).

Interestingly, the percentage of adults living in households which fell below 70 percent of median income decreased from 9 percent in 1997 to 4 percent in 2000. Further, the percentage of children living in such households fell from 15 to 8 percent over the same period. These findings would seem to indicate that income inequality has tended to decrease rather than increase with the advent of the Celtic Tiger, at least when seen in real income terms.

Maitre and Nolan, along with Christopher Whelan, utilized data from the Living in Ireland Survey to gauge what they called economic vulnerability. Without going into detail of their econometric model, they determined quite clearly that economic vulnerability decreased very significantly between 1994 and 2001. The authors do not specifically define economic vulnerability per se, however, they indicate that there are three factors which encompass same – economic exclusion, basic deprivation, and subjective economic strain. On the other hand, according to the authors, economic vulnerability does not include unemployment and/or lack of economic qualifications. However, they do suggest that vulnerability can include peoples' perceptions about their current situation in regards to marginalization and insecurity.

(Insert Table 4 about here)

As Table 4 indicates, with one exception, economic vulnerability decreased significantly between 1994 and 2001. The only group that showed an increase in economic vulnerability was farmers over the age of 65, clearly a very minor portion of the population. This can be attributed to two factors – a more urban economy and significantly less reliance on the agricultural sector. These factors are certainly not unique to Ireland and are representative of what occurred in industrialized societies throughout the 20th century, it just came later to Ireland than other industrialized countries.

In sum, these analyses seem to suggest that Allen and O'Hearn's assertion that the Celtic Tiger has disproportionately benefited the rich, does not appear to be accurate. It will be interesting to see the next chapter in this on-going debate.

Ireland and the Treaty of Nice

As noted in the introduction, prior to the first vote on the Treaty of Nice in June 2001, Irish voters had strongly favored Ireland's immersion into the EU. In addition to voting in favor of further integration by wide margins, a significant portion of eligible voters actually voted in the European referendums. For example, in 1972, 71 percent of eligible voters voted in the original membership referendum. In 1998, 56 percent of eligible voters voted in the referendum to approve the Treaty of Amsterdam.

However, both Ireland's support of further integration and Ireland's voters' participation in the first Treaty of Nice referendum were in stark contrast to what had taken place in prior referendums. Only 46 percent of voters voted in favor of the Nice Treaty, but what was more shocking was that only slightly more than a third, 35 percent, of eligible voters actually voted in the 2001 referendum.

The reasons for both the negative vote and the apathy of the voting public were numerous. It was widely speculated by the press that Ireland was voting in its own self-interests by voting against further integration. The argument was that Ireland had reaped the benefits of EU membership and, although future largesse would be reduced due to the success of the Celtic Tiger, Irish voters didn't want their remaining benefits to be further reduced due to accession of the poorer central and eastern European countries (CEEC).

This perception was only partly true. In a survey conducted just prior to the June 2001 referendum, Ireland registered the second highest percentage of those in support of EU

membership, 68 percent, just behind Luxembourg's 69 percent. In three other questions Irish respondents were significantly more positive toward the EU than those in any other EU country. Seventy-eight percent of Irish respondents agreed that Ireland received benefits from being an EU member, 50 percent higher than the second highest country, Portugal at 52 percent. Fifty-four percent of Irish respondents felt there was a significant advantage to EU membership. Spain was second highest at 35 percent. Also, 61 percent of Irish respondents had a positive image of the EU, a bit more than Italy at 55 percent. Finally, 40 percent of the Irish respondents would be sorry to see the EU scrapped, second only to Luxembourg's 48 percent.

In other surveys, Ireland expressed greater support for further EU integration. For example in a late 2000 survey, 69 percent of Irish respondents were in favor of the common currency, while only 55 percent of respondents EU-wide were in favor. In the same survey 52 percent of the Irish were in favor of EU enlargement, while only 44 percent of EU respondents held a positive view. Only in regards to a common defense policy were the Irish significantly less enthusiastic than the EU as a whole, 57 percent compared to 73 percent.

Subsequent to the No vote, the European Commission sought to determine exactly why the Irish voters rejected the Treaty of Nice on the first go round.

...the No vote was clearly related to attitudes towards several distinctive EU-related issue areas. The most important was dissatisfaction with the EU's own decision-making processes; this was followed by support for Irish neutrality,... and opposition to enlargement came in as the third most important issue....the study also concluded that abstention played a key role in the outcome (Coakley, 2005, p. 104).

In the final analysis, much of the blame for both the negative vote and, more particularly for the low turnout, was laid at the feet of the government. "There was widespread criticism of

the government for not allowing sufficient time for debate to take place. It was felt that the government was rushing the referendum through too quickly” (Holmes, 2005, p. 8).

Whatever the reasons for the initial Irish rejection, it is certainly true that in preparation for the second Nice referendum, the government and the Yes supporters were definitely more organized and pursued a much more aggressive campaign to get out the vote. “Most Yes and No voters in 2001 intended to vote the same way the second time. But this was modified by...those who had not voted in 2001,...moving into the Yes (rather) than into the No camp” (Coakley, 2005, pp. 106-107).

Another study sponsored by the European Commission Representation in Ireland... concluded that enhanced levels of information about the issues involved, a substantial increase in support for enlargement and more positive attitudes toward European integration not only favoured the Yes side but also helped to promote higher turnout levels (Sinnott, 2003).

“In addition, the Yes campaign was much more vigorously organized, and sought with some success to tackle...issue areas that were felt to have helped to promote a No vote in 2001” (Coakley, 2005, p. 107).

As is well known, Ireland did vote in favor of the Treaty of Nice in the second go-round in October 2002. The results are interesting and worth noting. There were five thousand more No votes than there were in Nice I – 534,887 compared to 529,478. However, there were nearly twice as many Yes votes in Nice II than there were in Nice I – 906,202 to 453,461. Percentage-wise 63 percent voted in favor, while only 37 percent voted against. Almost as significant, if not more so, nearly 50 percent of eligible voters voted in the referendum compared to only 35

percent in Nice I. Clearly, the government and the other Yes supporters did their job when given a second chance.

One effort undertaken by the government to get out the vote for Nice II was to establish what was called the National Forum on Europe.

The National Forum was set up with the aim of encouraging the widest possible societal dialogue on Europe in Ireland. The objective...was to ‘undertake a wide-ranging analysis of what the European Union has meant to Ireland, to examine issues concerned with the historic enlargement now in prospect, and to inform the Government, through debate, as to how the Irish people...see the future development of Europe in a way which will suit Irish interests’ (O’Brennan, 2005, p. 114).

O’Brennan questions whether the Forum was a success or not. On the one hand he “suggests that the Forum did not really meet the expectations of those who hoped for meaningful popular participation...(because) a turnout figure short of 50 per cent hardly represents an indication of an engaged citizenry and robust participation” (O’Brennan, 2005, p. 128). On the other hand,

If the argument is about a greater visibility for Europe and EU-related issues and bridging the information gap, then the Forum must be viewed more positively....In the first campaign, 44 per cent of voters claimed they did not vote because they lacked understanding of and information on, the Treaty. Just 26 per cent gave the same excuse after the second referendum (O’Brennan, 2005, pp. 128-129).

In the final analysis, the Forum provided the opportunity for Irish citizens to engage in an active debate on what the EU had meant to Ireland and to examine the issues that the 2004 enlargement would bring. Whether the Forum was crucial to the success of Nice II or not, it certainly did not

harm the outcome by moving the debate beyond the simple cost-benefit analysis of the EU to Ireland that was perceived as a major reason why Nice I failed.

What Does the Future Hold for the Irish Economy?

It is of course exceedingly dangerous, let alone presumptuous, for a casual observer to try and speculate what will happen in the future. As I stated in my earlier paper, “It would be foolish to suggest that this growth in the Irish economy could continue forever at such unprecedented and increasing rates. Of course, it cannot and no one expects that it will” (Emery, 2002, p. 17). At that time, ESRI predicted the average annual increase in Gross National Product (GNP) for the period 2000-05 of 4.8 percent, followed by an average increase of 4.3 percent in the 2005-10 period. As it turned out, ESRI was a bit optimistic for the 2000-05 period as the actual average increase in GNP for the period was 4.0 percent, slightly below what had been predicted. That said, during the 2000-05 period, Ireland’s growth was higher than of any of the other EU-15 countries. It should be noted that the GNP growth rate for 2005 was 5.4 percent, the highest since 2000.

As it continues to predict future growth, ESRI considers both *High Growth* and *Low Growth* scenarios. The *High Growth* scenario assumes that the current pattern of growth in the world economy continues. Based on that assumption, ESRI predicts that Ireland’s GNP will average a growth rate of 4.9 percent for the 2005-10 period, somewhat higher than it predicted five years ago. ESRI predicts growth rates of 6.2 and 5.1 percent for 2006 and 2007 respectively with a modest slow down beginning in 2008.

The *Low Growth* scenario assumes that market forces will produce an adjustment in the US and the world economies beginning in 2007, moving the US back onto a sustainable growth path. The result of this adjustment process is that US and world growth would be

significantly lower in the five years 2007-11, than in the high growth scenario. Because of the openness of the Irish economy it would result in significantly lower growth in Ireland (ESRI, 2005, p. 4).

If this were to occur, ESRI predicts the average annual GNP growth rate would be 3.5 percent for 2005-10 rather than the 4.9 percent in the high growth scenario.

As the Irish economy looks to the second half of the 2000s, it is helpful to look beyond the numbers as well as look at some of the challenges facing Ireland.

The Irish economy...achieved the highest growth rate in the first half of the 2000s despite being hit by the worldwide slump in the information and communication technology sector. This resilience reflects strong economic fundamentals, including a business-friendly regulatory environment, a flexible labour market, moderate tax rates and sound fiscal policy. It has also helped that a construction boom has taken over from manufacturing in driving activity (OECD, 2006, p. 6).

Challenges include maintaining high rates of productivity growth and boosting the labor supply. OECD suggests that the government should undertake policies that boost competition, improve education, encourage innovation, and upgrade infrastructure. There are several sectors in the economy that are still shielded from competition; electricity and telecommunications sectors as well as legal services and pharmacies to name a few.

Although quality education has been an important factor in the growth of the Celtic Tiger, there remain concerns. Universities lack sufficient funding. Irish students don't pay tuition, which makes the universities totally dependent upon the government for funding. In spite of the success of the Celtic Tiger, long-term unemployment is still a concern. Resources need to

be directed toward training or retraining the unemployed as well as toward students who are struggling.

Continuing improvement in research and development funding as well as providing resources for infrastructure projects are needed. That said, cost-benefit analyses should be utilized more frequently in deciding which infrastructure projects should be undertaken, rather than leaving those decisions to the politicians.

As Ireland looks at maintaining and increasing its labor supply, there are two areas on which it should primarily focus. Although, female work force participation has increased significantly over the past two decades, it is still less than in most other EU countries. In order to further increase female labor participation, Ireland should expand existing day care facilities for both pre-school children as well as for after-school day care. Ireland should also continue to do what it can to attract immigrants, both low-skilled workers to fill jobs in the service sector, as well as those with higher levels of education.

As the OECD has indicated a significant part of the economic success of the first half of the decade has been attributed to the construction boom. While this was positive, “The Irish economy is now exceptionally dependent on the building industry for growth and employment. The continued growth in prices,... looks increasingly threatening” (ESRI, 2005, p. 4). OECD agrees, “The key domestic risk is the housing market. In the past decade, house prices have risen faster than in any other OECD country: average prices have roughly tripled in real terms” (OECD, 2006, p. 10). Residential construction currently accounts for 9 percent of GNP. Obviously, this growth cannot and will not continue. Experts expect and hope for a gradual slowdown, a soft landing. However, it is not out of the realm of possibility that a significant

downturn could occur, which would negatively impact ESRI's high growth scenario as well as OECD's generally positive short-term assessment of the Irish economy.

Ireland and the EU

As has been discussed, the Irish No vote on Nice I was a shock to the Irish government and to the EU as a whole. It demonstrated that all was not rosy within the EU. The US invasion of Iraq in 2003 further exposed serious differences among EU member states. Shortly thereafter, the EU was unable to agree on its draft constitution at the Brussels summit in December 2003. As a result, it is somewhat ironic that Ireland, "the country whose referendum caused the European heart to skip a beat ended up being the midwife to the European Constitution" (Holmes, 2005, p. 7). Ireland was in the presidency of the European Council during the first six months of 2004 when the draft constitution was ratified at the Dublin summit in June, thanks to the efforts of Bertie Ahern, Irish Taoiseach (Prime Minister), who presided over the negotiations.

Unfortunately, Ahern's success may have been made moot thanks to the French and Dutch rejections of the European Constitution in spring 2005 referendums. Nevertheless, it is worth speculating as to what role Ireland might play in the EU of the future. As a result of Nice I and II and the handling of the constitutional negotiations in 2004, there has been speculation that Ireland's engagement with the European Union will emerge strengthened and improved. At the administrative level, a more coherent and coordinated approach to EU policy was promised....And at a philosophical level there (is) a stronger sense that Ireland needs a much more considered approach to its relationship with the EU. If the improvements introduced are maintained, it will be of benefit to both Ireland and the EU, as Ireland will be in a stronger position to contribute to discussion on the development of Europe (Holmes and Rees, 2005, p. 191).

This would be in stark contrast to Ireland's role in the negotiations at the Convention on the Future of Europe. Anna Verges Bausili presents a very interesting picture as to Ireland's approach at the Convention. According to her, "Irish members played solo rather than as an Irish team" (Verges Bausili, 2005, p. 138). Essentially, the Irish members allied themselves with members from the other small EU countries – Austria, Belgium, Finland, Luxembourg, the Netherlands, and Portugal to oppose various proposals of the larger member countries. The small countries, sometimes referred to as the 'seven dwarfs', opposed a European Council President, defended the rotating Presidency, and favored a strong European Commission with its elected president. The Irish representatives allied themselves with the United Kingdom on taxation issues, with France on agriculture, and with Spain on cohesion matters. In sum, the Irish representatives tended to be more reactive than proactive and concerned about protecting, as much as possible, the benefits accruing to Ireland. In other words, Ireland did not take a leading role in the Convention.

If a change in Ireland's approach to the EU were to occur, it would come at a time when its citizens have demonstrated a growing lack of enthusiasm for further integration. Subsequent to Nice I and II, in a February 2004 poll on the idea of a European Constitution, 47 percent supported the idea, 21 percent were against, and 32 percent offered no opinion.

Ireland was the only EU country which held a referendum on the Treaty of Nice. Although, the results of Nice I were overturned in Nice II, the results of Nice I pose a very interesting question for the EU

what is the most appropriate means of securing approval? Is it justifiable that a narrow majority of a low turnout in one very small state should block the progress of a construction intended for the benefit of many millions of people? On the other hand, is

parliamentary approval sufficient in such instances? (Holmes and Rees, 2005, p. 195).

Perhaps the French and Dutch rejection of the Constitution makes this speculation irrelevant.

However, it does point out a very important matter for the future of the EU.

The key lesson is that Europe is made up of nation states and...the Union can only advance with the consent and agreement of its citizens. Further integration is not inevitable and rejection must be accepted as part of a democratic process that can enrich the Union and ensure its future survival (Holmes and Rees, 2005, p. 198).

This is particularly more important now that the EU has grown to 25 member states. It may seem like an impossible task. However, there have been times in the 55 year history of the EU when further integration seemed impossible. Hopefully, the leaders of Europe will regroup and move forward for the benefit of their citizens.

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