Austerity: An examination of fiscal contraction in an open economy with fiscal and monetary restrictions, the case of Ireland.

Submitted in partial fulfilment of the requirements of a Master’s Degree (MBA) in Finance

BRENDAN MC HUGH
Austerity: An examination of fiscal contraction in an open economy with fiscal and monetary restrictions, the case of Ireland.

Author: Brendan Mc Hugh
Student Number: 1682177
Supervisor: Michael Kealy
Declaration:

I declare that all the work in this dissertation, except where referenced, is entirely my own. Those referenced are listed in the bibliography section at the end of this paper. This work or no part of this work has previously been submitted for assessment to this or any other institution.

Signed:..........................  Date:......................
# Table of Contents

- List of Figures and Tables ....................................................................................................... 2
- Acknowledgements .................................................................................................................. 4
- Abstract ..................................................................................................................................... 7
- 1 Introduction .......................................................................................................................... 8
  - 1.1 Background and Context ......................................................................................... 8
  - 1.2 Aims and Objectives .............................................................................................. 10
  - 1.3 Approach to the Research ..................................................................................... 10
  - 1.4 Rationale for the Research ..................................................................................... 10
  - 1.5 Organisation of Dissertation .............................................................................. 10
  - 1.6 Research Limitations and Scope .......................................................................... 10
- 2 Literature Review .................................................................................................................. 14
  - 2.1 Introduction ............................................................................................................. 14
  - 2.2 Austerity and the Fiscal Policy Debate .................................................................... 18
  - 2.3 Austerity and Expansionary Fiscal Contraction .................................................... 21
  - 2.4 Austerity Imposed on Ireland and the Socio-political Inferences ......................... 26
  - 2.5 Taxation and Expenditure Adjustments and their Effects ...................................... 29
  - 2.6 Icelandic Recovery, Monetary Policies and a Flexible Exchange Rate ................. 32
  - 2.7 Further Exploration of Flexible Ex/Rates and Currency Devaluation ............... 36
  - 2.8 Fiscal Multiplier and How it is Affected by Fiscal Instruments ............................. 40
- 3 Methodology .......................................................................................................................... 45
  - 3.1 Methods and Design ............................................................................................... 45
  - 3.2 Research Philosophy .............................................................................................. 48
  - 3.3 Research Approach ............................................................................................... 50
  - 3.4 Research Strategy .................................................................................................... 51
  - 3.5 Accessibility ........................................................................................................... 52
  - 3.6 Research Choice ..................................................................................................... 53
  - 3.7 Time Horizon .......................................................................................................... 54
  - 3.8 Sampling .................................................................................................................. 55
  - 3.9 Data Collection Methods ....................................................................................... 57
  - 3.10 Ethical Considerations .......................................................................................... 59
  - 3.11 Limitations ............................................................................................................ 61
- 4 Data Analysis and Findings .................................................................................................... 63
# Introduction

4.1 Introduction ........................................................................................................ 63

4.2 Austerity Connotations and implementation reasoning ................................ 65

4.3 Fiscal Contraction in a Shrinking Economy .................................................. 68

4.4 Government Expenditure, Debt Levels and Taxation .................................. 70

4.5 Fiscal Multiplier in a Depressed Economy ..................................................... 74

4.6 Ireland and Iceland; A Comparative Analysis .............................................. 75

4.7 Socio-Political implications of Austerity ...................................................... 78

4.8 Assessment of the Success or Failure of Austerity to Date ......................... 79

4.8 Conclusion ..................................................................................................... 82

## Conclusion and Recommendations

5.1 Conclusion ................................................................................................... 84

5.2 Limitations of the Research ......................................................................... 91

5.3 Recommendations ....................................................................................... 92

# Reflection on Learning and Skill Development

6.1 Introduction and Learning Styles ................................................................ 93

6.2 Time Management ....................................................................................... 98

6.3 Critical Thinking ......................................................................................... 99

6.4 Numeracy and quantitative skills .............................................................. 100

6.3 Future Application ..................................................................................... 101

## Bibliography

Bibliography ........................................................................................................ 103

## Appendices

Appendices ........................................................................................................ 113

Appendix 1 Primary Research Interview Questions ........................................ 113

Appendix 2 Interview Guide ............................................................................. 115

Appendix 3 Interview Synopsis A ..................................................................... 117

Appendix 4 Interview Synopsis B ..................................................................... 126

Appendix 5 Interview Synopsis C ..................................................................... 133

Appendix 6 Interview Synopsis D ..................................................................... 139

Appendix 7 Interview Synopsis E ..................................................................... 148

Appendix 8 Consent form ................................................................................. 158

Appendix 9 Soloman and Felder Learning Styles: Results .............................. 159

Appendix 10 Mumford and Honey Learning Styles: Questionnaire .......... 160

Appendix 11 Mumford and Honey Learning Styles: Results ....................... 162
List of Tables and Charts

List of Figures

Figure 2.1: PIIGS Unemployment Comparison .................................................. 16
Figure 2.2: Irish Debt Compared to Eurozone Average ..................................... 25
Figure 2.3: Export/Import Comparison – Ireland ............................................. 39
Figure 2.4: IMF Forecast Errors ...................................................................... 44
Figure 3.1: Research Onion ............................................................................. 47
Figure 4.1: General Government Financial Balances ....................................... 66
Figure 4.2: Gross Federal Debt/GDP – US (War Time) .................................... 73
Figure 4.3: General Government Deficit/GDP – Ireland ................................. 80
Figure 4.4: Ireland Government Debt/GDP .................................................... 82
Figure 6.1: Kolb’s Learning Styles .................................................................. 94

List of Tables

Table 1.1: Ireland Emigration/Migration 2010 - 2012 .................................... 8
Table 2.1: Unemployment rate, EU and Eurozone ......................................... 15
Table 2.2: Government Spending, Deficits and GDP - Ireland and Iceland ....... 33
Table 2.3: Goods Trade Surplus Figures ......................................................... 40
Acknowledgements

A brief appreciation to those who assisted the author in the construction of this research paper. Primarily one must recognise the practical guidance afforded to them from their supervisor Michael Kealy, the ubiquitous feedback was always a source of encouragement. The importance of the contribution made by the interview candidates cannot be overstated. Their valuable time given and aptitude conveyed throughout, was truly gratifying. A thank you to friends and colleagues for aiding in many various ways throughout this project. Also to the Central Bank of Ireland for their support and facilitation when it was needed. Finally to a family full of inspiration and the ever patient and heartening Emer, to you all a prodigious thank you.
Abstract

This research is both timely and of the utmost relevance, given that the implementation of austerity fiscal policies has impacted Irish society and its economy in the wake of a post financial crisis. It has consequences for every household and its legacy will be measured by future generations.

Much debate has ensued surrounding the perceived necessity of such a drastic contractionary policy. Yet no study has ultimately proven whether or not austerity will work for Ireland. The aims of this research are: to establish the reasoning behind the implementation of austerity; how its elements were used as instruments to improve fiscal balance sheets; did these policies have to be contractionary; was there a viable alternative as in the case of Iceland- and it assesses the progress of austerity to date in Ireland. Initially this research gets to the heart of that debate by understanding austerity and then peeling back the theoretical layers of its components, and how these different measures of austerity impact on an economy.

Through a method of qualitative interviews, the author was able to apply the economic theories and opinions examined for secondary research to the case of Ireland. On application of these concepts, it was found that a lot of the theory was simply that-theory, with little real life efficacy in an Irish context, given the many limitations its government had at a time when drastic fiscal decisions had to be made. This research also found that the Irish government of the day had little other choice than to implement these contractionary policies, as Ireland was experiencing an unsustainable level of debt, combined with a growing deficit and the reluctance of the bond markets to let them borrow. Ireland’s involvement in the EU-IMF bailout- which proved necessary- and its membership of the Eurozone from which they have prospered from in recent decades, proved to be major restricting factors in fiscal and monetary policy decisions.

An important theory that should be acknowledged by Irish fiscal decision makers(which the author found in the secondary research and was able to support through their primary research) is that the raising of taxes has a more profoundly negative effect on an economy than cuts made to government expenditure. In the conclusion, the researcher recognises the many adverse socio-political effects resulting from austerity- but highlights there are indications to show that austerity is being effective, demonstrated by the sharp decline in the Irish budget deficit and its ability to return to the international bond markets. These findings, however, may be immature as Ireland still finds itself in an EU-IMF bailout situation, with a very high Debt/GDP ratio and a severe unemployment rate. Further research will be required on this matter in the future in order for a conclusive verdict on the effectiveness of the austerity fiscal policies.
Chapter 1 - Introduction

1.1 - Background and Context

It is becoming increasingly difficult to ignore Austerity in Ireland which has been proffered as a panacea for the current financial crisis since its implementation by the Irish government. It is a contentious and contemporary topic, with debate still ongoing regarding appropriateness of austerity in an already floundering economy. Some contend –such as Krugman (2011) - that austerity only compounds a country’s existing economic woes; however, there are also diverging opinions -(ECB, 2010) and Plosser, (1989)- to say that fiscal consolidation can bring benefits to an economy. The consequences of contracting an economy can be felt by all. This is evident in the large numbers of both nationals and non-nationals having to leave Irish shores in search of employment elsewhere (Figure 1.1) and the drastic increase in the unemployment figures, which now sits at 14.7% (Figure 2.1). These implications will have further economic consequences in the long term.

However, the focus of this research is to examine the economic aspects of fiscal consolidation and to assess a viable alternative to austerity in an Irish context. This research will also to a lesser extent consider the importance of the socio-political effects on Irish society as a result of the introduction of austerity policies.
Previous research has been conducted on the economic implications of austerity on an economy; however, there is a lack of research in the case of Ireland and the limitations of a country bound by the economic policy restraints of being a member of the Eurozone. The argument that austerity is a waste of time and damaging has gathered ground in recent times. Recent developments in the austerity debate have heightened the need for a more rigorous analysis of its effects. An example of these developments is Rogoff and Reinhart’s (2010) now infamous paper on the chances of an economy growing when experiencing high debt to GDP levels which was recently debunked (Herndon, Ash and Pollin, 2013). This gave plenty of ammunition to the anti-austerity activists to highlight the deficiencies of austerity and to question the basis on which many governments based their austerity programmes. Although the 2007/2008 crisis is the main reason for the need of fiscal austerity, it is not the author’s intention to research the crisis, given that this topic has been covered exhaustively. It is intended by the author to understand what austerity is, why is it needed, was it Ireland’s only
choice to balance their fiscal accounts, its implications and is there a viable alternative? To do this, the writer will conduct secondary research on theory and opinion regarding the implementation of austerity and its economic measures and conduct interviews to ascertain how these theories can be applied to Irish economic problems.

1.2 - Aims and Objectives

The strenuous debate on the matter of austerity has shaped social unrest in Ireland albeit not to the extent of other countries such as Greece and Italy. This unrest has somewhat overshadowed the rudimentary economic reasoning that has been used to justify the use of austerity. The researcher aims to highlight this economic reasoning for austerity. The rational for such a study is that this topic is contemporary, ongoing and has a real life impact for all Irish people on a daily basis, including the author.

The aim of this research is to move beyond the political and agenda based debate on austerity and to understand the fiscal reasoning behind its implementation by the Irish government- and to research whether there is a viable alternative to austerity. To achieve this, the research will consult existing publications and papers on the matter, as well as interviewing experts in relation to austerity and Ireland. To fulfill the research brief, the topics examined (guided by research questions) in this paper are;

- To understand what is meant by austerity;
- To evaluate how the economical elements of austerity work in recessionary times;
- To examine whether it is possible for Ireland to adjust their fiscal consolidation policies;
- To evaluate whether Ireland could replicate the Icelandic recovery model.
It is the intention of the writer to be able to answer these questions after conducting both the primary and secondary research which will be detailed in later chapters.

1.3 – Approach to the Research

The use of primary and secondary research will be used. Secondary research, through analysis of existing articles, papers and academic publications, will be used to gain an understanding of the main topics. This knowledge will help guide the researcher when conducting the primary research through qualitative in-depth interviews. The knowledge gained from this research will then be incorporated into setting the questions for the interview candidates which will in turn become the author’s primary research. Interviews will be employed to gain an understanding of austerity, how fiscal consolidation is being used by the Irish government and whether there is a viable alternative to the austerity measures therein. The author will then correlate both secondary and primary research in the conclusion.

1.4 - Rationale for the Research

The rationale for this research is that the topic of austerity is not merely of academic interest; it directly affects almost every individual in Ireland, not only economically but also socially. The Irish government, whose decisions are diminishing people’s disposable income through increased taxation measures while reinvesting less into the economy through
expenditure, have made claims that austerity is the answer; however, there are arguments to suggest otherwise. It is a topic therefore that professionals, academics and the public would be interested in.

Saunders et al. (2009) tell us a dissertation subject must be of genuine interest and within the capabilities of the researcher. The researcher is a finance graduate and works professionally in the banking industry which illustrates their competences for the chosen research topic. The writer works in Central Banking which has given them a genuine interest in tackling this economically based conundrum.

The recipients of this research will be Dublin Business School and aimed towards the business and economics communities, professionals, academics and students alike. This research will shed light on Ireland’s fiscal decision making process since entering into the EU-IMF bailout. It is an up-to-date topic so would also be useful to professionals such as bankers and economists. Considering that these austerity policies employed by the government are affecting every family in Ireland, this research would be welcomed in the public domain. The results may also be useful to unions or groups opposed to or supportive of Irish fiscal policies. The decision makers of Irish fiscal policies will also find the results of this research useful.

1.5 - Organisation of the Dissertation

This chapter (Chapter 1) will give the reader an understanding and background to what the researcher is endeavoring to achieve with a synopsis of the paper. The succeeding chapter (Chapter 2) will be based on analysis of existing research in articles and academic paper. This
will assist in equipping the author with a critical view of current theories and opinions associated to austerity, fiscal consolidation, fiscal multiplier, Iceland’s economic recovery model and other related topics. These areas of economics are chosen based on the most dominant and reoccurring arguments discovered while researching the literature. The following chapter (Chapter 3) will examine the methodology necessary in the process of conducting this research paper. It describes the methodology process chosen by the writer, its application to their particular project and justification for the methods and tools adopted. This process is influenced by the research onion (Saunders et al, 2007). In Chapter 4, the author will analyse the findings from data retrieved from in-depth interviews with selected economists and bankers. This will make up the primary research section of the paper. The data collection methods are explained therein. Chapter 5 will then present the researcher’s conclusions based on the above mentioned findings and analysis. The author will then endeavour to answer the research questions. In the final chapter (Chapter 6) the author will put forward a self-reflection of their learning and development during the completion of the MBA in Finance. The bibliography is composed of a list of articles, academic journals, books and websites referred to during the research. All citations in the bibliography are not referenced in the main body as some were used to gain a foundation of knowledge prior to and during the research which are not directly related to it.

1.6 - Research Limitations and Scope

A major limitation to this research is that the primary research methodology of qualitative interviews can be deemed subjective data. Due to the nature of the research, expert views are necessary in the context of the Irish economy, therefore there were a limited number of appropriate candidates to interview. However, the author did attempt to negate agenda based
views when selecting these participants. It is acknowledged by the researcher that a larger pool of interviewees may have produced a more balanced view, but due to time and resource man-acles, a limited number had to suffice. Due to the part-time nature of this research, time con-straints are very limiting. The process of conducting interviews is very time consuming given that it consists of arranging interviews, conducting, transcribing and coding them. Also, adher-ing to good ethical research practice means confidentiality and consent forms must be written up if necessary and authorization must be obtained in order to use the views of the candidates.
Chapter 2 - Literature Review

2.1 - Introduction

The Irish economy has been in an economic crisis for 5 years with record highs in unemployment (14.7% in 2012), even compared to other EU nations. (See figure 2.1.) However, if we compare Ireland to the other Eurozone countries of Portugal, Italy, Ireland, Greece and Spain, (PIIGS) who have also encountered severe recessionary implications, we see that Ireland has lower unemployment (14.7 %) than all but Italy in 2012(Figure 2.2). There has been much new jargon associated with the financial crisis. Many terms are loosely thrown around through media and social conversation such as bailouts, bond holders, Troika, promissory notes to name but a few. However, the term ‘Austerity’ is the one that gets people’s attention. Ask anybody on the street what is meant by austerity and they will say things like less cash in their pockets, less jobs, domestic cutbacks, mortgage struggles and so on. They generally know it as a term of negativity. This is a fiscal policy used by the Irish government in an attempt to aid its economic recovery by way of cutting expenditure and increasing taxes. This is a hot topic at the moment with rarely a day passing that there is not a reference to it in national newspapers and other media.

Used in correct measures, austerity can be successful (Batini et al, 2012); however there is much literature that suggests that austerity can be counterproductive (Pollin, 2010). There are even opinions that claim fiscal policies are not the answer to recovering an economy but that monetary policies are more effective (Friedman, 1986). Many critics more recently have
come out against the use of austerity (Black, 2013). In a recent speech in Dublin, Noam Chomsky highlighted the consequences of economic austerity. He accuses the ECB of imposing unfair and counterproductive measures on the people of Ireland. Ashoka Mody, the former IMF mission chief to Ireland, has also come out against the use of austerity policies (Crosbiea, 2013). He believes ‘the construct of Ireland’s rescue was wrong’. It is the researcher’s intention to study austerity, its components and alternatives.

Unemployment rate, EU and Eurozone 2001-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium (1)</td>
<td>8.6</td>
<td>8.9</td>
<td>9.1</td>
<td>9.3</td>
<td>9.0</td>
<td>8.3</td>
<td>7.2</td>
<td>7.1</td>
<td>9.0</td>
<td>9.7</td>
<td>9.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Euro area</td>
<td>8.1</td>
<td>8.5</td>
<td>9.0</td>
<td>9.3</td>
<td>9.2</td>
<td>8.5</td>
<td>7.6</td>
<td>7.6</td>
<td>9.6</td>
<td>10.1</td>
<td>10.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Belgium (1)</td>
<td>8.6</td>
<td>7.5</td>
<td>8.2</td>
<td>8.4</td>
<td>8.5</td>
<td>8.3</td>
<td>7.5</td>
<td>7.0</td>
<td>7.9</td>
<td>8.3</td>
<td>7.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>19.5</td>
<td>18.2</td>
<td>13.7</td>
<td>12.1</td>
<td>10.1</td>
<td>8.0</td>
<td>6.9</td>
<td>5.6</td>
<td>6.8</td>
<td>10.3</td>
<td>11.3</td>
<td>12.3</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>8.1</td>
<td>7.3</td>
<td>7.8</td>
<td>8.3</td>
<td>7.8</td>
<td>7.1</td>
<td>5.3</td>
<td>4.4</td>
<td>4.4</td>
<td>7.3</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Denmark</td>
<td>4.5</td>
<td>4.6</td>
<td>5.4</td>
<td>5.5</td>
<td>4.8</td>
<td>3.9</td>
<td>3.6</td>
<td>3.4</td>
<td>6.0</td>
<td>7.5</td>
<td>7.6</td>
<td>7.5</td>
</tr>
<tr>
<td>Germany</td>
<td>7.9</td>
<td>8.7</td>
<td>9.0</td>
<td>10.5</td>
<td>11.3</td>
<td>10.3</td>
<td>8.7</td>
<td>7.5</td>
<td>7.0</td>
<td>7.1</td>
<td>5.9</td>
<td>5.5</td>
</tr>
<tr>
<td>Estonia</td>
<td>12.6</td>
<td>10.3</td>
<td>10.1</td>
<td>9.1</td>
<td>7.8</td>
<td>5.9</td>
<td>4.6</td>
<td>5.5</td>
<td>4.6</td>
<td>13.8</td>
<td>19.8</td>
<td>15.2</td>
</tr>
<tr>
<td>Ireland</td>
<td>2.6</td>
<td>7.3</td>
<td>6.0</td>
<td>7.8</td>
<td>9.5</td>
<td>9.5</td>
<td>9.9</td>
<td>8.9</td>
<td>8.3</td>
<td>7.7</td>
<td>9.5</td>
<td>12.6</td>
</tr>
<tr>
<td>Greece</td>
<td>10.7</td>
<td>10.3</td>
<td>9.7</td>
<td>10.5</td>
<td>9.5</td>
<td>8.9</td>
<td>8.3</td>
<td>7.7</td>
<td>9.5</td>
<td>12.8</td>
<td>17.7</td>
<td>24.3</td>
</tr>
<tr>
<td>Spain</td>
<td>10.5</td>
<td>11.4</td>
<td>11.4</td>
<td>10.9</td>
<td>9.2</td>
<td>8.5</td>
<td>8.3</td>
<td>11.3</td>
<td>18.0</td>
<td>20.1</td>
<td>21.7</td>
<td>25.0</td>
</tr>
<tr>
<td>France</td>
<td>8.2</td>
<td>8.3</td>
<td>8.9</td>
<td>9.3</td>
<td>9.3</td>
<td>9.2</td>
<td>8.4</td>
<td>7.8</td>
<td>9.5</td>
<td>9.7</td>
<td>9.6</td>
<td>10.2</td>
</tr>
<tr>
<td>Italy</td>
<td>9.0</td>
<td>8.5</td>
<td>8.4</td>
<td>8.9</td>
<td>7.7</td>
<td>6.6</td>
<td>6.1</td>
<td>6.7</td>
<td>8.4</td>
<td>8.4</td>
<td>8.4</td>
<td>10.7</td>
</tr>
<tr>
<td>Cyprus</td>
<td>3.7</td>
<td>3.9</td>
<td>4.1</td>
<td>4.6</td>
<td>5.3</td>
<td>4.8</td>
<td>3.9</td>
<td>3.7</td>
<td>5.4</td>
<td>6.3</td>
<td>7.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Latvia</td>
<td>12.9</td>
<td>12.8</td>
<td>11.3</td>
<td>11.7</td>
<td>9.6</td>
<td>7.3</td>
<td>6.5</td>
<td>8.0</td>
<td>10.2</td>
<td>19.8</td>
<td>16.2</td>
<td>14.9</td>
</tr>
<tr>
<td>Lithuania</td>
<td>13.7</td>
<td>13.8</td>
<td>12.4</td>
<td>11.3</td>
<td>8.0</td>
<td>5.2</td>
<td>3.8</td>
<td>5.3</td>
<td>13.6</td>
<td>18.0</td>
<td>15.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.2</td>
<td>1.2</td>
<td>1.0</td>
<td>1.0</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Hungary</td>
<td>5.6</td>
<td>5.6</td>
<td>5.8</td>
<td>6.1</td>
<td>7.2</td>
<td>7.5</td>
<td>7.4</td>
<td>7.8</td>
<td>10.0</td>
<td>11.2</td>
<td>10.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Malta</td>
<td>7.6</td>
<td>7.4</td>
<td>7.7</td>
<td>7.2</td>
<td>7.3</td>
<td>6.9</td>
<td>6.5</td>
<td>6.0</td>
<td>6.9</td>
<td>6.9</td>
<td>6.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.0</td>
<td>2.1</td>
<td>2.3</td>
<td>2.5</td>
<td>2.3</td>
<td>2.4</td>
<td>2.2</td>
<td>2.0</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Austria</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Portugal</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
<td>10.7</td>
</tr>
<tr>
<td>Romania</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>6.2</td>
<td>6.3</td>
<td>6.7</td>
<td>6.5</td>
<td>6.0</td>
<td>4.9</td>
<td>4.4</td>
<td>5.9</td>
<td>7.3</td>
<td>8.2</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>19.5</td>
<td>18.8</td>
<td>17.7</td>
<td>18.4</td>
<td>18.4</td>
<td>13.5</td>
<td>11.2</td>
<td>9.6</td>
<td>12.1</td>
<td>14.5</td>
<td>13.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Finland</td>
<td>9.1</td>
<td>9.1</td>
<td>9.0</td>
<td>8.8</td>
<td>8.4</td>
<td>7.7</td>
<td>6.9</td>
<td>6.4</td>
<td>8.2</td>
<td>8.4</td>
<td>7.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>5.8</td>
<td>6.0</td>
<td>6.0</td>
<td>7.4</td>
<td>7.7</td>
<td>7.1</td>
<td>6.1</td>
<td>6.2</td>
<td>8.3</td>
<td>8.6</td>
<td>8.6</td>
<td>8.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>5.0</td>
<td>5.1</td>
<td>5.0</td>
<td>4.7</td>
<td>4.8</td>
<td>5.4</td>
<td>5.3</td>
<td>5.6</td>
<td>7.6</td>
<td>7.8</td>
<td>8.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Iceland</td>
<td>3.3</td>
<td>3.1</td>
<td>3.1</td>
<td>2.9</td>
<td>3.5</td>
<td>3.0</td>
<td>3.2</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Norway</td>
<td>3.4</td>
<td>3.7</td>
<td>4.2</td>
<td>4.3</td>
<td>4.5</td>
<td>4.7</td>
<td>5.0</td>
<td>5.2</td>
<td>5.2</td>
<td>5.6</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Croatia</td>
<td>14.8</td>
<td>14.2</td>
<td>13.7</td>
<td>12.7</td>
<td>11.2</td>
<td>9.0</td>
<td>8.4</td>
<td>9.1</td>
<td>11.8</td>
<td>13.5</td>
<td>15.9</td>
<td>15.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>9.2</td>
<td>8.7</td>
<td>8.8</td>
<td>9.7</td>
<td>12.5</td>
<td>10.7</td>
<td>8.8</td>
<td>8.1</td>
<td>8.1</td>
<td>8.1</td>
<td>8.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Japan</td>
<td>5.0</td>
<td>5.4</td>
<td>5.3</td>
<td>4.7</td>
<td>4.4</td>
<td>4.1</td>
<td>3.9</td>
<td>4.0</td>
<td>5.1</td>
<td>5.1</td>
<td>4.6</td>
<td>4.3</td>
</tr>
<tr>
<td>United States</td>
<td>4.8</td>
<td>5.8</td>
<td>6.0</td>
<td>5.5</td>
<td>5.1</td>
<td>4.6</td>
<td>4.6</td>
<td>5.8</td>
<td>9.3</td>
<td>9.6</td>
<td>8.9</td>
<td>8.1</td>
</tr>
</tbody>
</table>

(Source: Eurostat)
The alternative could be to have a more flexible exchange rate through monetary policy; however, Ireland can’t achieve this while still a member of the Eurozone. Leaving the Euro would give Ireland the opportunity to devalue the Irish currency for economic growth. This question was discussed in Reuters recently (Salmon, 2010). In the article, it is suggested that it may be a good idea for some of the weaker Eurozone members to exit for a period of time until their economies become stronger and then re-join again. Tepper (2012) speaks about countries that have previously left currency unions and prospered. He emphasises some break-ups from the past which illustrate this principal such as the Austro-Hungarian Empire in 1919, India and Pakistan 1947, Pakistan and Bangladesh 1971, Czechoslovakia in 1992-93, and USSR in 1992.

**PIIGS Unemployment 2005 - 2012**

(Source: Eurostat)  
Figure 2.1
One does not have to look too far for commentary on austerity in today’s media. It appears austerity is failing and more of its original advocates are beginning to agree. A recent article by Dr Stephen Kinsella (2013) contends that austerity in the short term is killing the SME’s in Ireland. He highlights the cuts in spending as a major problem for businesses that are also having trouble getting credit from banks. Kinsella believes that austerity is not working. His argument is that although not the solution to all Ireland’s economic woes, an increase in government expenditure, advocated by Keynesian economic theory, would go a long way to stabilising many small and medium sized businesses.

However, there are still advocates of austerity who believe it is too early to be judging results. In an article in The Washington Post, Pearlstein (2013 highlights the case of Greece and points out that the only way Greece could have avoided defaults and national insolvency was to implement austerity measures. He tackles the critics of austerity, detractors who claim that harsh austere measures should be shelved until full employment and economic recovery is achieved through increased expenditure. This very expenditure he argues is unaffordable for countries like Greece whose government finances are already experiencing severe deficits. He also adds (including France and Italy) that based on historical evidence, it is unlikely countries would implement austerity measures after recovery and full employment is achieved. There are academic opinions that suggest austerity should be introduced in economically good times to enhance budget surpluses and control inflation. Pearlstein (2013) then goes on to conclude that the anti-austerity advocates offer no reasonable alternative other than to keep bailing out these uncompetitive economies with more loans. Pearlstein does, however, mention that Ireland is in a different position than the above mentioned countries, as its economy remains competitive.
and sound. The following sections of this chapter are researched because the author believes they are integral to their objective of answering the research questions.

2.2 - Austerity and the Fiscal Policy Debate

There are a lot of arguments about how fiscal policies should be implemented in recessionary economies and austerity features highly in most of them. The researcher explores some of these discussions.

Two major economic thinkers in the area of fiscal measures are John Maynard Keynes and Friedrich Hayek. Keynes (1936) believed that in times of economic recession, a government should spend more in order to create employment through fiscal stimulus. His theory maintains that more people working would increase economic growth and therefore reduce government debt. Hayek on the other hand contends that Keynes’ idea was just prolonging the problem. Hayek believed that by reducing both fiscal spending and tax rates, the economy would automatically kick start growth. He did accept that this may prove negative in the short-term but would prove economically successful in the longer term.

A lot of aggregate demand models suggest there is an understandable relationship between governmental fiscal policies and economic activity. Austerity can lead to negative consumer activity and economic output. Other observers believe this relationship to be non-linear and influenced by many other variables. Austerity measures are implemented to reduce government deficits which can limit their ability to run their respective economies.

There are 3 main ways a government can address fiscal deficits:
Austerity – Fiscal contraction or consolidation. These are the policies a government introduces to reduce deficits or increase surpluses. Theoretically, this should be introduced in economically positive times but generally in practice this occurs in times of economic depression and high debt. Implementing austerity can be contractionary or expansionary depending on the particular economy. Its policies usually consist of spending cuts and tax hikes.

Expenditure – A government may spend to induce growth. In this way if there is a positive effect on GDP, this will in turn reduce debt. If there is no expansion realised through spending, this may mean a government may have to borrow more and therefore debt will be increased. Cut spending- this in turn reduces government deficits and the debt to GDP ratio will decrease. However, if GDP remains stable and does not improve, this can have a negative effect on expansion.

Taxation – Lifting the tax rate can create more income for a government. However, the taxpayers, i.e. individuals and companies would have to shoulder this burden. This process however, may impact negatively on consumer spending. Decreasing the tax rate may reduce government earnings but may stimulate consumer activity, but if there is no growth realised the government may have to borrow more to prop up losses through reduced income.

In macroeconomics, national output is related to Gross National Product (GNP). This is the total goods and services produced within an economy in a certain time frame, usually one year. Keynes’ 1936 seminal work ‘The General Theory of Employment, Interest and Money’ which focuses on unemployment, inflation and the supply of money, argues that it is not the
cost of wages that creates unemployment but the lack of spending by governments. He argues this creates aggregate demand, which in turn leads to economic growth. JM Keynes (Keynesian economic theory) believes that a government should have more influence over an economy and that extra spending by a government could help inject needed stimulus to generate demand therefore creating employment. An example of this was that Keynesians thought Herbert Hoover's June 1932 tax hike as making the 1930’s Depression worse.

Skidelsky (2010) explains why Keynes’ fiscal theories are still relevant today. Milton Friedman (Friedman, 1968) argued Keynes’ point and claimed that governments should push Central banks into contributing more to exhausted economies by lowering the interest rates; this in effect was putting more emphasis on monetary policy over fiscal policy. Another way in which he believed an economy could increase output was to have exchange rate flexibility where a central bank could devalue its national currency for economic growth. He also pointed out that such a policy as set out in the Keynes’ ‘General Theory’ could not be sustained over the long-term.

As previously stated, Krugman (2010b) has highlighted the importance of government spending as a stimulus in times of slow economic growth. This is not a path the Irish government has followed. However there is an alternative debate to Krugman. There is much research already done that supports the reduction of taxes as a stimulus for growth. Padovano and Galli (2001) who did a study of 23 OECD nations over a 40 year period from 1951 made findings to suggest that higher marginal tax rates actually had a negative impact on economic growth over time.
This research was supported by another study (Engen and Skinner, 1996) which found from studying economic growth in relation to the tax rates of 20 nations that they could make predictions of Long-term growth when a country reduced its marginal tax rate by 5 percentage points. Another study (Lee and Gordon, 2005) also came to similar conclusions; however, this time they concentrated on corporation tax and found growth of 1-2% per year could be gained if the tax was reduced by 10 percentage points. Ireland has a low corporation tax which has proven effective (Ireland’s Corporation Tax Strategy, 2013).

As we can see from the above arguments, studies which illustrate that governments can make decisions to create growth with their economies are available; however, none of the studies above have researched the effects of such decisions being influenced by external parties who are more interested in short-term gain than long-term growth and recovery. This is the situation of Ireland which has an outside influence dictating their fiscal policies due to loans taken (bailout) from parties associated with the Troika.

2.3 - Austerity and Expansionary Fiscal Contraction

Austerity, as implemented by the Irish government, is also known as fiscal contraction. This is seen as policies that squeeze the economy even further; however, some observers argue that this form of contraction can be expansionary to an economy.

Expansionary fiscal contraction is also known as a ‘general equilibrium model’. It is arguably based on the ideas of neoliberal economics. It has more recently been called
‘expansionary austerity’. This is the form of fiscal policy employed by the Irish government since the financial crisis forced them into being bailed out to the tune of €85 billion.

The classic argument for an expansionary fiscal contraction focuses on cuts to government spending. Permanent cuts in government spending lead to expectations of the permanent lowering of taxes. In contrast, the current Irish debate is focused on adjustment through tax increases. The debate appears to be that households and businesses already expect higher taxes, but uncertainty about the precise nature of those taxes is causing increased precautionary savings and investment delays. Eliminating this uncertainty would lead to increased domestic demand.

Perotti (2011) investigated fiscal consolidation within 4 zones and found that expansion was linked to both taxes and spending depending on the country. The author contends that there can be expansion in the face of fiscal contraction. In the case of Ireland they highlight the periods between 1982 and 1986. This was a time when the Irish government raised taxes in order to reduce its deficit. Analysis of the public debt in 1986 found it had improved, however, there was a minimal impact (deficit declined by 2.5% of GDP). This according to Perotti can be gauged as unsuccessful.

Perotti, in the same paper (Perotti, 2011) goes on to analyse fiscal consolidation in Ireland from 1987 – 89. In this period, the government, made up of an invigorated Fianna Fail, managed to stop debt increasing further as a % of GDP. In the same research it claims that this significant improvement actually came in response to spending cuts, of which half came from capital spending. However Perotti believes the tax increases of the time had more impact on the results than is assumed. There are 3 other papers that support each other in that the theory
of Expansionary Fiscal Contraction can be successful under certain conditions Bertola and Drazen(1993), Perotti (1999) and Sutherland, (1997).

In Konzelman (2012), the author answers the question why any government would follow such a policy of austerity during a severe economic downturn?

‘The answer can be found in the considerable political and economic influence of liberalised global financial markets. During the period of Neo-liberalism, fiscal policy was largely driven by narrow private sector interests of the wealthy and financial elites. In the aftermath of the 2007/8 financial crisis, it has been dictated by unpredictable financial market traders, with their own interests at heart and very little loyalty to any national social or political economy. Demanding austerity as evidence that national governments are capable of managing their deficits and repaying their debts, austerity has become the objective of policy, rather than a policy whose objective is macro-economic stabilization. However, if economic austerity further undermines macro-economic performance, the financial markets are unlikely to prove supportive of those countries suffering the effects.’

(Konzelmann, 2012, p. 22)

Paul Krugman, one of the best known anti-austerity advocates, believes (Krugman, 2010b) that austerity implementation is not based on any evidence or careful analysis. He believes the investors (bond vigilantes) are being used to scare governments into introducing spending cuts and decreasing stimulus. In the same article Krugman highlights Ireland’s
austerity measures implemented in the mid 1980’s and argues against Perotti’s (2011) analysis being not relevant to the current economic climate. He affirms:

‘Well, there have been historical cases of spending cuts and tax increases followed by economic growth. But as far as I can tell, every one of those examples proves, on closer examination, to be a case in which the negative effects of austerity were offset by other factors, factors not likely to be relevant today. For example, Ireland’s era of austerity-with-growth in the 1980s depended on a drastic move from trade deficit to trade surplus, which isn’t a strategy everyone can pursue at the same time.’

(Krugman, 2010b)

One advocate of austerity, Alan Reynolds of the CATO Institute, believes (Reynolds, 2011) that putting off spending cuts is not a credible plan. He contends that governments who are using borrowed capital for stimulus are in fact doing worse than does who have existing lower deficits. Reynolds points out that although the U.S. has invested heavily in stimulus programmes, they are not fairing any better than those countries who have introduced fiscal austerity. He concludes by swiping at the Keynesian theory of fiscal spending in the short term to create growth, calling it ‘budgetary procrastination’.

The now infamous research paper ‘Growth in a Time of Debt’ (Reinhart and Rogoff, 2010) supports the pro-austerity argument. The paper contends that if a government’s debt levels surpassed 90% of GDP, there would be an economic collapse. This has been used by governments to defend austerity implementation. Their findings and conclusion was that if a government had high debt, it was unlikely to experience any economic growth. However, it has been proved that there are flaws in Reinhart and Rogoff’s research.
A researcher named Thomas Herndon, on analysis of Reinhart and Rogoff’s results found them to be flawed. Herndon, Ash and Pollin (2013) were able to counter-argue, using correct data, that indeed growth was possible for economies with high debt. They also go on to state that because the initial research was used to force the austerity issue with bias, the austerity debate should be “reassessed”. Even if the data set used in the rebutted paper is defective, it must be a serious concern for the Irish government who are currently experiencing unsustainable levels of debt that are considerably higher than the Eurozone average (Figure 2.3).

Source: Eurostat

Figure 2.2
Another argument (Shillers, 2011) against the discredited paper came from well-known American economist and academic Robert Shillers who claims that there is too much concentration on debt-to-GDP ratios by investors and highlights Keynesian theory that austerity is more likely to undermine economic growth instead of boosting it.

“If one reads their paper carefully, it is clear that Reinhart and Rogoff picked the 90% figure almost arbitrarily. They chose, without explanation, to divide debt-to-GDP ratios into the following categories: under 30%, 30-60%, 60-90%, and over 90%. And it turns out that growth rates decline in all of these categories as the debt-to-GDP ratio increases, only somewhat more in the last category.” — (Shiller, 2011)

The above argument is evidence that the pro-austerity camp may have varying agendas. Although the now debunked Reinhart and Rogoff paper was initially used in support of austerity in Europe and elsewhere, now even after it was proved defective the pro-austerity lobbyists continue. The fact that economies of large debt can, in fact, still create growth proves that austerity is not as necessary as first assumed.

2.4 - Austerity Imposed on Ireland and the Socio-political inferences

There is evidence to show that the Irish economy is experiencing slight growth, however, it can’t be taken for granted that it is due to the austerity measures taken by the
government. Perotti (2012) argues that austerity (the expansionary fiscal consolidation hypothesis) may be expanding markets, but in the circumstance of Ireland this is not the case. The growth that is most significant to Ireland is due to exports which have been aligned to the strong English sterling than it is to the Irish fiscal policies. It must be added that in more recent times the weakening of the UK pound by quantitative easing (QE) by the Bank of England has, to some extent negated this growth in exports.

Some reports on social unrest contend that austerity can create disorder as it did with the government of the day in 2010, the Fianna Fail/Greens coalition. They highlight that there were strikes in the public sector and certain social tension was created. The report goes on to warn governments that this unrest could lead to an administrative collapse, which it subsequently did the following year.

Batini et al (2012) makes a case against the above argument that austerity can be successful; however, they insist that the correct balance must be met between cutting expenditure and raising taxes. They also suggest that an intervention of monetary policy must be used to compliment the above mentioned fiscal decisions; this would help soften the impact of such measures. One way in which monetary policy could be used is the lowering of interest rates (Friedman, 1968). In the case of the Eurozone, the decision to lower interest rates is made by the ECB. Conceptually this can decrease the amount of interest borrowers and home owners pay back on their mortgages- which in theory leaves more in their pockets to spend in the domestic market and increase demand.

There is evidence and research in the domain about how austerity has an impact on an economy and there is literature on the minimal growth that Ireland has experienced in the crisis,
mainly due to exports; however there is no evidence in the context of Ireland to link the growth in export and the implementation of austerity by the Irish government.

The socio-political landscape of Ireland has been affected hugely by austere measures. It can be contended that the Irish government, whilst implementing austerity, has neglected society. It has hiked taxation, cut expenditure, deflated wages, ignored necessary infrastructural upgrading and reduced public service provision. The effects have a major impact on societal alteration. All this has resulted in amplified unemployment, emigration, poverty, extra pressure on social welfare, increases in inequality and a weakening of the Irish social structure. Some argue this is evidence enough that austerity is not working.

A paper by Rigney (2012) identified the main areas affecting people due to austerity: unemployment, emigration, poverty, deprivation, wages and wage fixing mechanisms. He highlights that Ireland was one of only five EU economies in which unemployment has more than doubled since the recession began. Rigney also added that poverty is on the increase and emphasised the deprivation ‘(those experiencing two or more types of enforced deprivation)’ problem where the 2010 deprivation rate was at 23% - having increased from 17% the previous year (2009). In terms of wages, the paper argues that the minimum wage should not have been lowered for new hires by 12.5 %, from €8.65 to €7.65. The reasoning for this contention is that there were only 3.1% of the employed labour force earning the minimum wage or below - approximately 47,000 workers.

The above evidence illustrates that austerity does have a negative impact on Irish society but will this ever be outweighed by the long term fiscal results that are expected when Ireland regains its economic footing again?
2.5 -Taxation and Expenditure Adjustments and their Effects

The main elements of Ireland’s austerity measures are made up of both government spending cuts and tax increases. The intentions of this are to make savings to reduce debt and to increase earnings to improve the fiscal deficit. We further explore their impact on the fiscal multiplier later on in this chapter.

Alesina et al (2012) investigated whether adjustments in taxes or spending had the most significant effects on economic growth and consolidation. The researchers use various data sets that incorporate fiscal planning and subsequent changes to plans over a number of years. They then use this data to evaluate the implications of these plans on economic growth. Their findings were that tax adjustments enhanced recessionary effects for a minimum of 3 years. However, spending adjustments showed lesser recessionary impacts and for a shorter period of just 1 year. Their conclusion was that the effects of tax increases have more recessionary effects than that of spending cuts.

One argument that can be levelled at the approach of Alesina et al (2012) is that of their binary method was weak, compared to an approach that includes categorical taxes and spending combinations into account. It would be difficult to apply the above results directly to Ireland’s case as the researchers believe that consolidation results vary depending on the adjustment mixes of spending cuts and tax hikes. However, they do agree that historically, efforts to address growth and deficits involve a mix of both.
One of the most frequently debated issues in economics is how tax rates tie in to economic growth. Supporters of tax cuts claim that a decrease in the tax rate will lead to increased economic growth and employment. On the other hand there are those who claim if we reduce taxes, almost all of the benefits will go to the already wealthy, as those are the ones who pay the most taxes. Ireland’s government has chosen to increase its tax rates in order to improve fiscal earnings, but is this at the cost of the consumer and tax payer? The author looks at what the economic theory suggests about the link between taxes and economic growth.

There are two main outcomes when a government introduces tax cuts; positively there can be an effect on the consumer having more money and therefore can create confidence and extra spending which creates growth and employment. Negatively there is less income from taxes for the government. In a 1993 research paper, Van Sinderen (1993) analyses the implications of taxes and spending on the economy. He found that when income taxes are cut by 1% of GNP and spending is also cut, there is a drop in the tax earnings over the medium term but they were higher in the longer term. This would be due to an increase in the tax base.

On the other hand Van Sinderen argues that when the same cut is imposed on companies’ profits as opposed to income taxes, there is a negative effect on government earnings in the long term. This is evidence in defence of Ireland’s staunch opposition to any attempted by the Eurozone to alter its corporation tax which currently lies at 12.5% for trading companies.

In the US in 1981 the US Economic Recovery Tax Act (ERTA) was passed during the Reagan administration. This act was introduced with the intention of encouraging economic growth by cutting income tax rates. As Slemrod and Bakija (1996) shows, this act had the
opposite effect than was anticipated. They claim that the effects of these cuts were even worse than if there were no act in the first place. Worse again was that in 1990 the US government was losing $164 a year due to a reduction in tax earnings.

Defenders of the act argue that by using the Laffers Curve, tax cuts do increase economic growth. However, in Trabandt and Uhlig (2009), it is argued that tax cuts are not as positive as is claimed:

'We therefore conclude that there rarely is a free lunch due to tax cuts. However, a substantial fraction of the lunch will be paid for by the efficiency gains in the economy due to tax cuts. Transitions matter.'

(Trabandt and Uhlig, 2009, p. 30)

On analysis of the same US tax cuts Hausman (1981 and 1983) - in relation to the creation of employment due to tax cuts found little in the way of improvements. Although Hausman did emphasise that there were an increase of the number of hours worked, however, they were not significant enough to offset the negative implications of tax cuts to the government’s earnings.

The above arguments are in contrast with the findings of Graziani et al (2013) who found that those surveyed for their research would plan to spend more of their income, due to tax cuts, if they knew that the cuts would be permanent. Their findings agree with those who claim that tax cuts can indeed create greater public consumption.

They (Grazianiet al, 2013) conclude that their findings are that workers who observe tax cuts to be permanent plan to spend more and in actuality, do slightly spend more of
their additional disposable income which is consistent with the permanent income hypothesis. “Our results indicate that the propensity to consume would likely have been higher had the tax cuts been implemented as a two-year cut in the first place” (Grazianiet al, 2013, p. 27)

2.6 - Icelandic Recovery, Monetary Policies and a Flexible Exchange Rate

“What’s the difference between Iceland and Ireland? Answer: One letter and about six months.”

(Reuters, 2012)

There are many similarities between Ireland’s and Iceland’s financial crises; however, their recoveries took different trajectories. The author explores whether the Icelandic recovery model could have suited the Irish problem by comparing both situations. A lot of critics blame reckless lending by the institutions in both countries for their problems, Krugman (2009 and 2010) has written extensively on this comparison. Short term figures show that Iceland is faring better economically (Figure 2.4) therefore it is important to examine whether Ireland could have followed the same model as an alternative to austerity.
Arestis and Sawyer (2012) contend that Ireland, unlike Iceland, was not only facing a fiscal crisis but they were facing the potential of a solvency crisis as well. As Mc Donald, (2011), cited in Arestis and Sawyer, 2012, p. 184) explains, the banking debt in Ireland was hampering any attempt to address the sovereign’s solvency. Mc Donald continues by adding that the Irish public should not be paying for private banking debts and affirms: ‘The transfer of debts from the private banking system to the general public is amongst the largest per capita social transfers in modern economic history and is deeply inequitable.’

This appears to be the status quo for many analysts; however, there are those who dispute this theory. An article commissioned by the Ludwig von Mises Institute (Shostak, 2012) argues that the commercial banks’ activities are not to blame, but highlights the ‘boom-bust policies’ of the Central Banks of both Ireland and Iceland. Shostak goes on to claim that the Central Banks initiated the false economic boom and the resulting collapse of both economies. The same author does however, conclude that Iceland’s decision to not fund their banks was the correct thing to do and Ireland’s decision to bail out their banks was incorrect.

<table>
<thead>
<tr>
<th>Government Spending, Deficits and Economic Growth: Ireland vs. Iceland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: OECD Table 2.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real GDP:</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRELAND % growth</td>
<td>5.3</td>
<td>5.2</td>
<td>-3.0</td>
<td>-7.0</td>
<td>-0.4</td>
<td>0.7</td>
</tr>
<tr>
<td>ICELAND % growth</td>
<td>4.7</td>
<td>6.0</td>
<td>1.3</td>
<td>-6.8</td>
<td>-4.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Govt. spending:</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>IRELAND % of GDP</td>
<td>34.3</td>
<td>36.6</td>
<td>42.8</td>
<td>48.8</td>
<td>66.8</td>
<td>48.7</td>
</tr>
<tr>
<td>ICELAND % of GDP</td>
<td>41.6</td>
<td>42.3</td>
<td>57.6</td>
<td>51.0</td>
<td>51.6</td>
<td>46.1</td>
</tr>
<tr>
<td>Budget deficit:</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>IRELAND % of GDP</td>
<td>2.9</td>
<td>0.1</td>
<td>-7.3</td>
<td>-14.0</td>
<td>-31.2</td>
<td>-13.0</td>
</tr>
<tr>
<td>ICELAND % of GDP</td>
<td>6.3</td>
<td>5.4</td>
<td>-13.5</td>
<td>-10.0</td>
<td>-10.1</td>
<td>-4.4</td>
</tr>
</tbody>
</table>
He supports this theory by highlighting the fact that Iceland is currently outperforming Ireland economically.

One could argue against Shostak’s stance- for Ireland not to bail out the banks could have been disastrous. Ireland relies heavily on bond markets for liquidity and by not bailing out the banks and burning the bond-holders, they would have risked higher rates and even refusal of loans when they returned to the fixed income markets for future credit.

‘It’s pretty clear why Iceland and Ireland adopted very different approaches to managing their financial crises that led to very different results: they had little choice in the matter.’

(Gylfason, 2013, p. 8)

From all the literature, there is little to deny that both economies’ recovery models diverged quite dramatically. In Danielsson (2008), the researcher believes Iceland’s first major hurdles occurred in rapid successions and banking and can be linked to the downfall of US investment giant Lehman Brothers. The scare created by the collapse sent deposit holders into retrenchment mode and the demand on the Icelandic banks became too much too bear.

The Icelandic reaction was swift and forthright and according to Zsolt (2011) in an economically unorthodox way, they let their 3 main banks default. Unfortunately they did not have the ECB to assist with funding. Their own Central Bank did not have sufficient financial capabilities to cover the massive debts the commercial banks had run into (Andersen, Camilla 2009). This position, different than Ireland, prompted Iceland to make that decision. In other
words, Iceland had substantiated reasons to let the banks default- they could not afford to pay
the investors back. Ireland on the other hand could reach out to the ECB for financial support.

Another reason was that Ireland was under pressure (MacDonald, 2011) as by
defaulting on their investors they could have initiated a contagion effect across the Eurozone.
This may have caused investors to pull out of Euro countries. Ireland’s dedication to its
creditors was in stark contrast to Iceland which concentrated on internal survival. They
believed the external investors took risks and should take the hit. Krugman (2010a) compares
both Ireland and Iceland dealing with the IMF. The author suggests that although Ireland is
doing everything by the book and is being responsible, they are still trailing Iceland’s recovery
record, even though Iceland were heterodox in their approach to recovery.

Another major difference between the two countries is that Iceland had more monetary
policy freedom. They were in a position to devalue their own currency- which meant exports
became less expensive and more competitive to foreign buyers. This in turn provides an
improvement for domestic demand. Also an increase in exports should lead to an improvement
in the current account deficit and an aggregate demand can lead to higher rates of economic
growth.

In an ideal world, Ireland could have defaulted -as has worked well for Iceland, thus
relieving the strain on the Irish taxpayer. It could also have had far reaching consequences for
Ireland and the Eurozone. However, their implementation of austerity, again in contrast with
Iceland, should have been avoided. By deciding to guarantee their banks, the Irish government
had no choice but to require financial aid from the EU, IMF, Eurozone and unilateral countries
thereby increasing its debt. Austerity was argued to be the only way out.
One major economic difference between Ireland and Iceland was that Ireland was a member of the Eurozone and Iceland is not. This had restraining implications on how the Irish government could react to the crisis. Paul Krugman’s article in 2010 (Krugman, 2010a) contends that there were two important components to Iceland’s current recovery model that Ireland could not replicate. These were the temporary implementation of capital controls, also detailed in (International Monetary Fund. European Dept. (2012), and the ability to devalue their currency against others to improve their competitive position internationally. The latter of which has been widely viewed as a vital advantage to Iceland over Ireland.

A recent study by Olafsson and Petursson (2010) emphasized the advantage of having a flexible exchange rate as a way to assist in combating a financial crisis. “Exchange rate flexibility also seemed to have helped reducing the real economy impact and expedite the recovery” (Olafsson and Petursson, 2010 p. 26). In the case of Iceland, it helped boost exports and it took the emphasis off foreign imports and enhanced demand for domestic production.

2.7 - Further Exploration of Flexible Exchange Rates and Currency Devaluation

A Flexible Exchange Rate is a fiscal instrument used by Ireland in the past to improve economic conditions. However, now Ireland has limited freedom to control their monetary policies, as in the case of Iceland, due to their membership of the Eurozone. Although we can still examine the possibilities of devaluing one’s own currency to become more competitive
and improve growth in its economy, for this to be a real possibility we would have to take an extreme measure and exit the Euro currency union.

Devaluation is a monetary policy tool that can be used by an economy to lessen the value of their own currency to make economic gains. It is only possible to devalue one’s currency where a flexible exchange rate exists:

“The argument for a flexible exchange rate is, strange to say, very nearly identical with the argument for daylight savings time. Isn’t it absurd to change the clock in summer when exactly the same result could be achieved by having each individual change his habits? All that is required is that everyone decides to come to his office an hour earlier, have lunch an hour earlier, etc. But obviously it is much simpler to change the clock that guides all than to have each individual separately change his pattern of reaction to the clock, even though all want to do so. The situation is exactly the same in the exchange market. It is far simpler to allow one price to change, namely, the price of foreign exchange, than to rely upon changes in the multitude of prices that together constitute the internal price structure.”

(Friedman, 1953, p. 173)

The main advantage of flexible exchange rates (Friedman, 1953) is that economies could pursue independent monetary policies and devalue to correct payments imbalances and improve their international competitiveness. This change in attitude helped to prepare the way for the abandonment of fixed rates in 1973. Devaluation of a nation’s currency could be successful if implemented; however, this will only depend on whether other countries take notice or not (Kerr, 2012). In this paper Kerr believes doing so will help increase exports, which
in turn will increase another economy’s imports- thus decreasing their net-income. This outcome is known as non-cooperative and could elicit retaliation. He argues it would be more advantageous to aim for a cooperative outcome in which more than one country is involved in the solution. It could be argued that if Ireland devalued, they may not get a lot of attention due to its small size relative to its trade neighbours.

Arguments exist that in fact devaluing one’s own currency, while in the short-term can create economic expansion, can lead to contractionary results in the future. Larrain and Sachs (1986) argue contractionary devaluation in the short term can have restrictive implications on the economic cycles in the long run. This theory supports that of Edwards (1985) who also finds that:

"The results were quite favorable to the short-run contractionary devaluations hypothesis. After one year, however, the evidence suggests that real devaluations do have an expansionary effect on output growth. In the long run devaluations will have no effect on output. Since the analysis was done using annual data it is not possible to investigate what the intra-year dynamic effects of devaluations on output are."  
Edwards (1985), p 16

This above opinion is supported by other literature such as Kruger and Taylor (1978) who believe currency devaluation may lead to a reduction in aggregate demand. Although there is much evidence and literature to illustrate assumptions of the break-ups of unions and the benefits of being free from the confines of such amalgamation, from the review of the above literature it is evident there are gaps in research on the effects on the economy of a country that leaves a currency union and uses flexible exchange rates to be more competitive against others.
It can be argued that devaluation may not have had that much impact on recovery because in the case of Ireland, they have managed to grow their exports considerably since the crisis without the use of currency devaluation. As we can extrapolate from the chart (Figure 2.3) Ireland has managed to maintain an improved and relatively steady export rate since the crisis of 2008. Maintaining the rate in itself is not a success, however, when this is complimented by a downward adjustment in imports, this will increase the net figure and income surplus. This can assist in economic growth and recovery. However, as we can see from (Table 2.3), recent months have shown a slight decrease in the surplus figure. This could
be down to a variety of reasons but it is believed that an international downturn will have an effect on the Irish export figure which does appear to be the case in this instance.

Goods Exports and Imports May 2013 (seasonally adjusted)

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Export</th>
<th>Import</th>
<th>Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-12</td>
<td>6,734</td>
<td>3,774</td>
<td>2,959</td>
</tr>
<tr>
<td>Jan-13</td>
<td>6,849</td>
<td>3,982</td>
<td>2,867</td>
</tr>
<tr>
<td>Feb-13</td>
<td>7,015</td>
<td>3,881</td>
<td>3,134</td>
</tr>
<tr>
<td>Mar-13</td>
<td>7,330</td>
<td>3,787</td>
<td>3,543</td>
</tr>
<tr>
<td>Apr-13</td>
<td>7,366</td>
<td>4,052</td>
<td>3,314</td>
</tr>
<tr>
<td>May-13</td>
<td>7,052</td>
<td>3,983</td>
<td>3,069</td>
</tr>
</tbody>
</table>

Source: Figures from the CSO

2.7 - Fiscal Multiplier and How it Affected by Fiscal Instruments

A fiscal multiplier is said to have an influence on decisions relating to budgetary consolidation. Judgements can be influenced based on whether an economy has a low or high multiplier.

The definition of the fiscal multiplier is the ratio of a change in productivity to an exogenous and short-term change in the fiscal deficit in relation to a baseline figures (Spilimbergo et al, 2009). Although there have been many studies of the fiscal multiplier, the size of it still appears to be difficult to quantify. One thing that is apparent from previous
research - the size of the multiplier is affected by how open an economy is. For example, an open economy is more likely to have a low multiplier. Also the size of the multiplier varies differently across the different countries.

Adjustments, taxation and government spending relate to the multiplier in different ways. According to the Economic and Social Research Institute’s (ESRI) most recent Medium Review (Fitzgerald et al, 2013) by using the HERMES model to implement a fiscal shock calibrated to ensure a €1 billion adjustment to the fiscal accounts. They adjust tax income upwards and cut the wage bill to the tune of €1 billion for 2013. They find the impact and cumulative multipliers relative to both shocks. The impact multiplier, where X is the fiscal instrument and Y is GDP is defined as:

\[
\frac{\Delta Y(t)}{\Delta X(t)}
\]

The cumulative multiplier (Spilimbergo et al, 2009, cited in Fitzgerald et al, 2013, p. 47) where the shock is held for subsequent years-this is defined as the cumulative change in output over the cumulative change in fiscal expenditure at some horizon N:

\[
\frac{\sum_{j=0}^{\mu}(1+i)^{-t}\Delta Y(t+j)}{\sum_{j=0}^{N}(1+i)^{-t}\Delta X(t+j)}
\]

They found that, when all variables are constant, the increase in the tax income had the least effect on production -compared to the reduction in the public wage bill which had a more
significant impact on output. The negative impact of increasing taxes would be offset by an improvement of the Irish deficit, less borrowings would be required to the tune of a net value of 0.5% of GDP and there would be a long term enhancement of 0.3 percentage points to GDP. On the other hand, there would be a decrease in demand if there was a cut in the public wage bill. This cut would lead to a drop in GNP of 0.2% by 2018; however, there would also be an improvement of the deficit and GDP over the same period. Fitzgerald et al (2013) also highlight other impacts on the economy with such shocks. Although these shocks do show an improvement to the Irish government balances over time, they are inconclusive in terms of supporting the argument for the implementation of austerity measures brought in to consolidate their accounts.

A broad study of fiscal multipliers has been conducted by Baunsgaard et al (2012), who have updated and supplemented Spilimbergo et al (2009). (Baunsgaard et al cited in Baum et al, 2012 p.4) ‘reviewed 37 studies including both (DSGE) of the model based and vector autoregressive (VAR) approaches. For those studies government spending multipliers range between 0 and 2.1, with a mean of 0.8 during the first year after fiscal measures are taken. Government revenue multipliers range from about –1.5 to 1.4, with a mean of 0.3.’

It has proven difficult to get comprehensive research that analyses how the fiscal multiplier reacts in times of recession or boom times within an individual economy:

“Surprisingly few studies have tried to distinguish between multipliers in downturns and expansions. These have mostly focused on a single country (Germany: Baum and Koester, 2011; and the United States: Auerbach and Gorodnichenko, 2012a) or
employed a panel data approach, thereby providing average multipliers across countries, which may mask important heterogeneities in the estimation process (Auerbach and Gorodnichenko, 2012b). (Auerbach and Gorodnichenko, 2012) believe that multipliers are large in times of no growth and lower during economic expansion” (Baum et al, 2012, p. 5)

Other research that supports Auerbach and Gorodnichenko (2012) are Fazzari, Morley and Panovska (2012) and it is also consistent with the estimations of Blanchard and Perotti, (2002).

In a recent paper by the IMF (World Economic Outlook, October 2012 it admitted that by using multipliers that were too low, it fully undervalued the impacts of austerity on the Irish economy and thought the tax increases and spending cuts would not have had such a negative implication on employment. ‘’Activity over the past few years has disappointed more in economies with more aggressive fiscal consolidation plans, suggesting that fiscal multipliers used in making growth forecasts have been systematically too low. This relationship holds for different components of GDP, the unemployment rate, and forecasts made by different institutions.’’ (IMF, 2012)
The X axis represents the IMF prediction of the modification in the primary structural balance as a percent of GDP for 2010-11. The Y axis represents the error in the IMF’s growth forecast for 2010-11 compared to the actual 2010-11 growth outcomes. These originate from April 2010. Much of the literature does agree that multipliers vary from country to country. Research Alesina and Ardagna (2010) and Spilimbergo et al (2009) both agree with the argument that fiscal multipliers can be negative.
Chapter 3 - Methodology

3.1 - Methods and Design

This chapter describes and explains the research methodology used in this research. It first clarifies the philosophy that supports the approach taken with the paper, discussing the author’s interpretivist philosophy to research and the resulting choice of a qualitative approach. Then they will outline the rationale for the research design. The chapter then discusses the reasons for the use of the case study method. The data collection methods and analysis will then be elaborated on. The concluding part of the chapter will explain the limitations of the research and ethical considerations involved in such a study.

Methodologies are outlooks on research; they establish what research is and how it should be conducted. Methods are connected to each other. Methods are the tools or techniques of gathering data, techniques of analysis, and techniques of writing. Since it is a tool, then a reliable method can be used by many different methodologies (both qualitative and quantitative). Remenyi et al (2005) explain methodology as dictating the research strategy and being of two main philosophical stances of positivism and phenomenology. However, the writer understands that the problem with using phenomenology is that it is difficult to detect or to prevent researcher induced bias.

Methodologies are at a more abstract or general level than that of methods. The research onion (Saunders et al, 2007) (Fig. 3.1) shows us the many layers of research methodology. The layers include the important facets of research such as philosophy, approach and strategy. (Fig
3.1) Understanding the various layers will give the writer a good knowledge of research methodology which they can use to conduct successful research.

To establish a suitable research approaches and strategies for this particular research, the research “onion” model will be followed. This is because conducting research is similar to peeling back layers of an onion—in order to come to the central issue of how to collect the necessary data needed to answer the research questions and objectives, important layers should be first peeled away. With this process, the writer is able to create an outline of what measures are most suitable to be used in this paper.

Saunders et al (2007) suggests that while it is not unusual for the researcher to first think of whether to conduct a questionnaire or interviews, thoughts on this question should belong to the centre of the research ‘onion’. That is, in order to come to the central issue of how to collect the data needed to answer the research questions, there are important layers of the onion that need to be peeled away first: the first layer raises the question of the research philosophy to adopt, the second considers the subject of research approach that flows from the research philosophy, the third examines the research strategy most applicable, the fourth layer refers to the time horizon a researcher applies to his research, and the fifth layer is the data collection methods to be used.

After analysis of Maxwell’s (1998) model on “Contextual Factors Influencing a Research Design”, the researcher believes there is criticism that can be leveled at this model; namely, it failure to incorporate business confidentiality into his model in terms of accessibility. This research design was hinged on the ability to gain access to a narrow sample senior banking
and economics professionals. Fortunately access was gained to selected contributors; however, this could have been restrictive to the research in other circumstances.

The chapter will describe the methodology process chosen by the writer, its application to their particular project and justify the methods and tools adopted. The researcher will use the methodology template set out in the research onion (Fig. 3.1). The philosophy will be that of both objectivism and interpretivism. The data will be obtained through semi-structured interviews using standardized questions with an inductive approach. It will be a case study method choice.

**The Research Onion**

![The Research Onion](source: (Saunders et al, 2009, p. 108))

**Figure 3.1**
3.2 - Research Philosophy

Our understanding of the philosophies of research is that some researchers use the terms ‘methodology’ and ‘method’ interchangeably (Hussey & Hussey, 1997). Others believe methodology refers to the general style taken, as well as to the underlying paradigms of the researcher. It is understood that they believe method is the different means of how data is collected and analysed (Hussey & Hussey, 1997). Also in Mason (2002), we learn that methodology strategy is a concept and the methods are elements of that strategy. In accordance with opinions laid out above, the researcher will include all sections of the research process under the general title of methodology. In doing so, all the methods set out in the rest of this chapter -namely design, approach, strategy, data collection and analysis- can be assumed to be parts of the methodology of this dissertation.

A research philosophy is a belief about the way data about a phenomenon should be collected and analysed (Levin, 1988). The researcher’s philosophy has an important influence on research. We learn in Saunders and Lewis (2012) that the philosophy adopted contains important assumptions about how the researcher views the world around them.

Ontology (reality) is concerned with the nature of reality. Its central question is whether social entities can, or should, be considered social constructions built-up from the perception and action of social actors. Ontology is the writer’s view of what is reality. The researcher will find that their ontology affects their epistemological standpoint which will impact on their view
of human nature. Remeneyi et al (1998, p. 103) explains ontology as “Whether the object of investigation is the product of consciousness (nominalism) or whether it exits independently (realism).”

Epistemology (knowledge), however, concerns what constitutes acceptable knowledge in certain range of study. For the purpose of this research case interpretivism will be used to best understand what is going on in the social environment that is being researched. Through this philosophy it is important that the researcher understands the difference between humans as social actors (Saunders et al, 2007). The term social actors refers to humans as actors on a stage that is the world and questions whether their interpretations are directed to them by someone else or on their own. Other philosophical options are positivism, realism and pragmatism, none of which are suitable for this research.

Positivism is a philosophy research that states that the: “Social world exists externally, and that its properties should be measured through objective methods, rather than being inferred subjectively through sensations, reflection or intuition.”(Easterby-Smith et al 2002, p.28) Positivists’ research often necessitates substantial quantities of data and therefore would possibly require quantitative research methods to analyse such large-scale phenomena (Travers, 2001). On the other hand interpretivism is inclined to see the world around us in a different perspective, thus necessitating a different reaction from the researcher. According to Bryman and Bell (2007, p. 17), interpretivist researchers: “share a view that the subject matter of the social sciences—people and their institutions—is fundamentally different from that of the natural sciences. The study of the social world therefore requires a different logic of research procedure.” An interpretivist position has been assumed for this research. The author considers that there are multiple realities that make measurement problematic and at best we
understand practical singularities by studying them in detail within the context in which they occur -specifically in this research, the case of the Irish economy.

3.3 - Research Approach

It can be argued that research approaches can be linked to different research philosophies (Saunders et al. 2007). The interpretivist stance taken by the researcher is based on an acceptance that a qualitative approach will generate the greatest insight. As Gummesson (2005) shows, generating theory is an important feature of qualitative research.

It cannot be overlooked that criticisms exist of the qualitative research method, such as is shown by Goulding (2002) who contends that it is purely descriptive and therefore not rigorous, and that the data is defective due to the idiosyncratic role of the researcher. However Goulding (2002) also adds that researchers continuously aim to lessen their subjectivity and to apply academic rigour to any research. Alternatively, according to Miles & Huberman (1994), such bias can be an important element of qualitative research by which the researcher is a measurement devise observing the phenomena from the inside.

Of the two approaches highlighted in the research onion (Figure.3.1) the writer believes the inductive approach will best serve in the collection of qualitative data (Myers and Newman, 2007). This is sometimes called a “bottom up” approach. This will give the researcher a realisation that they are part of the research process. The flexibility through this approach will also allow for a change in research emphasis if required further down the research line. More flexibility for the researcher will be beneficial and will give them more room to make the right
decisions. A deductive approach, which is the other option, can be argued as being too rigid in not permitting alternative explanations of what is going on (Saunders et al, 2007). This would not be helpful to the author as in the field of theoretical economics, alternatives are the bases for debate and development. The writer believes it will be empirical observations that will take them to a result.

3.4 - Research Strategy

Case study - (Saunders et al, 2007) explains the strategies highlighted in the research onion. These are: experiment, survey, action research, case study, grounded theory, ethnography and archival research. In the case of this research, a case study will be pursued:

‘A single case is often used where it represents a critical case or, alternatively, an extreme or unique case. Conversely, a single case may be selected because it is typical or because it provides you with an opportunity to observe and analyse a phenomenon that few have considered before. Inevitably, an important aspect of using a single case is defining the actual case. For many part-time students this is the organization for which they work’

(Saunders et al, 2007)

The researcher intends to gain an understanding of the context of the research and processes, therefore the case study strategy would be most be interesting according to Morris and Woods, (1991). The case of Ireland, as a social unit, has been chosen because few have considered it before in this particular research field. Through semi-structured in-depth
interviews and standardized questions, the researcher will examine if Ireland could use alternative measures to fiscal austerity as policies to aid in the recovery of their economic crisis.

Research using case studies can reveal a specific occurrence in a real life context (Eisenhardt 1989). Qualitative case study research establishes a research area for clarifying greater insight into boundaries and phenomena, while empirical research requires experimental data (Emory & Cooper 1991; Yin 1989). However, Myers (2001) agrees that although Yin and Eisenhardt have published insightful literature on the subject of case studies, they do neglect to tackle the design issue. This can be a strength leaving it up to the researcher- but can also be a serious weakness to the approach. The writer hopes to gain clearer insight into the research topic. Semi-structured interviews will be used for primary research in order to link the theory reviewed in secondary research to the case of Ireland.

According to Johnston et al. (1999, p. 203): “Case study research consists of a detailed investigation that attempts to provide an analysis of the context and processes in the phenomenon under study.” The author believes they are justified in using the case study approach in endeavoring to understand issues that affect the Irish government’s decision to implement austerity as an alternative would be challenging without the contextual picture afforded by such an approach (Patton, 1990).

3.5 - Accessibility

Saunders et al. (2009) recognize that many first time researchers wish to advance as soon as a research matter has been designated, but they advise that if not
enough attention is given to accessibility issues, difficulties may occur and the research may be flawed. As shown by Blaxter et al (1996), when preparing a research paper, access may be required to documents, people and/or institutions. The difficulty of access for this research was realised early on in the process for the researcher who knew the caliber of candidate necessary to assist in the research would be difficult to access due to their seniority and positions within their professions.

It is also known to the writer that access issues usually begin at the data collection stage (Clark et al. 1998). The author then applied this knowledge in contacting friends and Central Bank colleagues at an early stage of the research process to assess the ability of making contact with potential contributors. The feedback received by the researcher was positive from colleagues, which the author is grateful for and a confidence was formed that access could be gained to the necessary experts. The researcher’s colleagues contacted the selected sample of participants on behalf of the researcher and permission was gained to conduct interviews and the appropriate correspondence followed.

3.6 – Research Choice

The research choice that will be undertaken by the author is qualitative mono-method and corresponding analysis procedure will be operated. Tashakkori and Teddlie (2003) also refer to the research choice as research design. It is understood by the researcher that a mixed-method could negate the weaknesses of both the open-ended and closed-ended forms of questioning in the other two methods, if they felt limited by either method (Jex et al 1997). The researcher believes that a mono-method of qualitative interviews justified in this paper for the
reason (Maxwell, 2005) that the topic of fiscal contraction and austerity is very intricate and cannot be answered by a rudimentary yes or no hypothesis. Qualitative research is not dependent on the sample size. Five in-depth interviews with standardised open-ended questions will be enough to get sufficient quality data. (Saunders et al, 2007) describe mono-method as a ‘single data collection technique and corresponding analysis procedures’. Maxwell (2005) believes that the mono-method is simpler to organise and execute than the other choices.

Although it must also be highlighted that there are limits to the mono-method. Neuman (1997) believes using mixed- methods provides a better opportunity to validate results, which can enhance the suitability of findings. The other options for research choice as seen in the ‘onion’ (Figure 3.1) above are mixed or multi- methods, neither of which would be useful to the author as they believe qualitative interviews can provide sufficient data. The primary research will also take the form of explanatory research as the writer will be interviewing experts in a particular subject. These experts are sourced from the Central Bank, the Financial Regulator, NTMA and the ESRI.

3.7 - Time-Horizon

This will be a Cross-sectional. Ramenyi et al (2005) tells us that cross-sectional gains insight into how something is done at the time of research. It is in reality a snapshot of a situation. There is not much emphasis on the observation of trends and there is much less time involved than would be needed if the researcher were to use longitudinal methodology. The reason the researcher will use cross-sectional is that because there is a deadline; time constraints will have to be taken into consideration. Longitudinal is the other choice for time-
horizon but the author does not need to observe over a period of time, therefore this other option would be futile.

Considering the author is describing a phenomenon of our time, the author believes they are justified in using the cross-sectional time horizon. A longitudinal study may have been more appropriate if the research was on changing elements of Irish economics over time and if the researcher had much more time.

3.8 - Sampling

Parasuraman et al. (2004, p. 356) states that “Sampling is the selection of a fraction of the total number of units of interest to decision makers for the ultimate purpose of being able to draw general conclusions about the entire body of units” (known as the population). According to Saunders et al (2007), in some cases it is possible to collect data from the masses if needed. This can’t be done by the researcher due to the time constraints of a deadline. This is not as effective in qualitative research but does not mean that the results will be any less informative.

The nature of the economic topics being researched -namely fiscal contraction, fiscal multiplier, austerity etc. - are complex. Therefore it will require the sample frame of selected interview candidates to have an expertise and professional experience within these economic and banking fields. The sample frame is professionals or academics that have an expertise in Irish economics or banking. This poses a problem for the researcher as experts in the field of Irish economics are a very limited pool. Due to the nature of the research, economic and
banking professionals will be used as the sample. There will be 5 participants chosen from the sample frame to make up the sample size. As the participants have been contacted through networking colleagues and friends of the researcher, it can be argued that there may be elements of sampling bias in the research. The issue with sampling bias is that it can lead to an over or under-representation of the corresponding parameter in the population. However, a perfectly random sample in this context especially is almost impossible to achieve.

For this research, non-probability samples will be used. Purposive sampling will be utilised as it will enable the researcher to use their own judgement to decide what cases to select, which will help answer the research questions (Saunders et al, 2007, p 230). This is also known as judgement sampling. Those being interviewed fit a specific purpose or description. The sample of 5 participants will be enough to get a comprehensive insight into economic opinions on my research topic of the Irish economy. It will also be a manageable number due to the constraints of the writer. Those being interviewed have professional backgrounds in economics and banking working in the Central Bank, the Financial Regulator, NTMA and the ESRI. The sampling criteria applied ensured that participants have:

1) An expert knowledge of the Irish economy;
2) An up-to-date understanding of economic theories;
3) The ability to apply such theories to the Irish economy;
4) A well informed opinion of the fiscal decision making process by the Irish government;
5) A very in-depth knowledge of other economies.
3.9 - Data Collection Methods

This research will employ mono-methods, using qualitative interviews as the collection instrument of this study because it will enables the researcher to examine economic opinions in-depth (Saunders et al. 2007). The qualitative research interview will seek to gain insight into the central themes of the research questions. The main task in interviewing is to understand the meaning of what the interviewees say. Interviews – determined by the necessity to gain in-depth knowledge on topic to answer research questions.

Interviewing - while conducting qualitative research, is a method used to comprehend the experiences of others (Seidman, 1998). Interviewing differs from other methods of data collection because it can be more fact-finding in nature, and also can be more flexible. Interviewing comes from the necessity to know more about the people around us and how they see the world around us. “At the heart of interviewing research is an interest in other individuals’ stories because they are of worth.” (Seidman, 1998). However, there are criticisms of using interviews as a data collection method and it is that there can be planning issues (Weiss, 1994). Weiss also goes on to explain other issues with interviews such as- recruiting the right people can be difficult, not to mention the logistics of arranging a meeting(s). The interview can become difficult and there is a possibility of missing out on valuable information. In reality, the interviewer must become a multi-tasker to be a successful interviewer. Weiss also highlights the problems than can arise during coding of interview results; they can be expensive, time consuming and may need more than one person.

The aim of the research is to understand the workings of austerity in Ireland since the financial crisis and explore whether or not there is a viable alternative to the fiscal consolidation
measures implemented by the Irish government. The primary research that the author intends to carry out will be in-depth interviews with banking and economic experts. This will assist in answering the research questions. However, it must also be highlighted how important secondary research is. Before primary research can be carried out, the author will engage in secondary research by examining many articles and academic papers regarding existing economic opinion and theory regarding fiscal contraction, multiplier, austerity and other areas that affect the Irish economy.

In terms of interview protocol, a mix of generalized open-ended and probing questions will be employed with the intention of eliciting participants to elaborate further where necessary. Probing questions should be utilised “when participant’s response to your question is brief or unclear, when the participant seems to be waiting for a reaction from you before continuing to speak, or when the person appears to have more information on the subject”, according to Mack et al (2005). The interview protocol will direct the researcher to first discuss general topics and theories such as austerity and Keynesianism, then logically progress to the more specifics issues of taxation, expenditure, fiscal multiplier and Iceland’s recovery, and finally on to the assessment of the impact of austerity. An interview guide was used to prepare for the qualitative interviewing process (Appendix 2). Standardised questions will be used and question succession will be the same in each interviews so as not to influence or illicit varying responses from the participants with different preceding questions.

Coding will be employed by the author to extract the optimum amount of quality data from the interview transcripts. Coding is a method whereby a word or a short phrase may be used to group similar themes and topics within the text. Coding starts with a summary of
interview/transcription you are analysing. Descriptive coding will be utilised as the first stage of coding and will help to categorise the economic themes within the interview transcripts.

According to (Saldana 2009) “A code in qualitative inquiry is most often a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data”

### 3.10 - Ethical Considerations

Remenyi et al (2005) defines ethics as: ‘a sense of understanding of what is right and wrong’. Understanding the ethics involved in research is fundamental morally and to the outcome. Honesty will be central, in accordance with the views of Sekaran (1992) participants will be given the researcher’s assurances that research will be conducted in an open and honest way at all times through the process.

Due to the nature of the research and the participants involved, who have generously offered their time, anonymity was offered; therefore the names of those who contributed to the study will remain unidentified. This was important in terms of in giving the candidates the opportunity to speak freely. Only the researcher and supervisor privy to that information... Also the participants were giving synopsized versions of the interview transcripts (see Appendices 3 to 7) for their consent to use the data in this research. These consent forms (see Appendix 8) were filled in by the participants and passed on to the Supervisor.

Saunders and Phillips (2012) sets out some ethical boundaries that should be adhered to during research. For example, a set of questions will be made available to participants in
advance of the interview. The right to anonymity will be offered and confidentiality will be maintained if requested (see Appendix 3). When interviews are transcribed, authorisation will be requested from the participant to ensure accuracy and transparency of data received in the interviews. Collection and storage of information acquired through a third party will be dealt with in compliance with the data protection act 1988 (Data Protection, 2007). Finally, due to the voluntary nature of the contributors, they will be offered the right to withdraw from the research process at any time.

Universalism is the choice stance of the researcher; ethical principles should and will be maintained at all times. The writer believes it would not be in the best interest of the research if ethical values were not upheld (Erikson, 1967). Anything goes would not be a stance chosen by the writer as it involves deceit (Douglas, 1976). There would be no reason where the researcher would need to deceive the participants in this research. The writer believes being open and honest will be reciprocated by the participants and will improve research data quality. So in the estimation of the author, a universalism approach of being open and honest will reap more benefits from participants by gaining more trust and therefore better data from interviews. All contributors were given the interview questions in advance as this would speed up the process and make them feel more comfortable with the questioning. At the start of each interview the interviewees were asked for their permission to record them on a recording device, all candidates obliged. The participants were advised that the digital recordings would be erased after the completion of the dissertation process.
3.11 - Limitations

Gaining access to the right experts in the field of economics with objective views will be difficult. Getting interview time with these participants will also be onerous due to their busy schedules. Also the researcher has time limitations due to the fact they are pursuing this study part-time while in full time employment. Furthermore, there are many practical efforts involved during this research process such as correspondence, logistics and gaining access to the appropriate candidates and literature for critical review.

There may be a threat to external reliability during research due to the nature of some participants; this can limit a subjective opinion according to Robson (2002) cited in Saunders et al 2007. The selected candidates may already have existing subjective views regarding which economic theories they support; this in turn can have limiting objectivity within the research. The researcher intends to use purposive sampling; there are limitations in this method as well because this means the particular sample can’t be considered to be statistically representative of an entire population.

There will be personal bias involved regardless of how objective the writer tries to remain. There may exist bias in the sample used- as previously identified- in the interview questioning as well as the interpretation of the results. The writer has a background in finance and economics through working in central banking and holds an undergraduate degree in finance. As a result of this, there is already a background and familiarity of the subjects being researched and preconceived answers to research questions are already manifesting. This may lead to directional questioning in an interview. It may also influence the interpretation of interview responses (Easterby-Smith et al, 2002).
The writer understands the importance of controlling their own bias during the interviewing stage of conducting primary research. According to Mack, N. et al. (2005) “Asking leading questions risks conveying your own value judgments and biases and imposing a perspective on participants.” For this reason, leading questions will be avoided to the best of the author’s ability. The author will ask neutral questions free of preconceptions and use impartial expressions as to not influence the candidates. However, probing questions will be employed in the interview. It also must be stated that researcher bias cannot be eradicated totally- during the interview stage, and also in the interpretation of research findings.
Chapter 4 - Data Analysis and Findings

4.1 - Introduction

The writer has already reviewed and analysed the existing studies relative to their research questions in the literature review, however, for primary research it is now important to gain an understanding of how some of these economic theories apply to Ireland, which is a country currently experiencing an economic depression. For this part of the dissertation, the author has chosen use qualitative research through semi-structured interviews with standardised open-ended questioning to extract as much and as in-depth data as possible. The interview questions were compiled formed on the bases of an understanding on the necessary topics through a critical literature review. The participants are all experts, as is necessary to complete successful research in the field of Irish economics.

Using thematic analysis to examine the data that was gathered, brought up a number of diverse themes. These themes were common throughout each of the interviews. Thematic analysis is achieved through a procedure of coding. This demands more participation and understanding from the researcher. It is more than just counting obvious words and terms and places more emphasis on the researcher recognising ideas that are formulating in the data. This coding then represents identifiable themes. The themes become the categories for analysis (Fereday and Muir-Cochrane, 2008). This organisation is essential for successful analysis. As Hay (2005) shows, there are two important stages in the coding process. The first stage is a rudimentary coding to distinguish general themes. The second stage is a more in-depth comprehensive coding in which more precise patterns can be construed. According to Guest et
al (2011): ‘Generally speaking, reliability is of greater concern with thematic analysis than with word-based analyses because more interpretation goes into defining the data items (i.e., codes) as well as applying the codes to chunks of text’. Coding and interpretation was very difficult in this case due to the advanced knowledge of both the theoretical and its practical applications to the Irish economy by the interviewees.

This primary data was collected by conducting semi-structured in-depth Interviews. The interview questions can be found in (Appendix 1). The authorised synopsis of the interviews A to E can be found in (Appendices 3 to 7). The supervisor was presented with full Interview transcripts and listened to audio recordings from the interviews and is satisfied with the legitimacy of this process. For confidentiality reasons, the interviewees will remain anonymous but for the purpose of evidence the supervisor was presented with the list of candidates and the signed consent forms sanctioned by those participants.

Due to the professional seniority of the contributors, the nature of their opinions are sensitive and therefore will remain anonymous. The supervisor is more than satisfied that the calibre of interviewee is of the expertise standard necessary to carry out primary research in the fields of economics and banking. For the purpose of organisation, the participants will be labelled A to E. The participants were accessed through mutual friends and colleagues and when the contributors were initially contacted, a request of one hour each of their time was made. All candidates were very accommodating and open with their opinion and knowledge. The researcher travelled to meet all the participants at a venue of their choice. All interviews were recorded with the permission of the interviewees. The interviews were then transcribed and the coding and thematic analysis began.
4.2 - Austerity Connotations and Implementation Reasoning

“Ireland had extremely difficult problems and Ireland took very seriously its problems, this has been recognized by all.”

(Trichet, 2010)

Austerity was implemented by the Irish government in an attempt to balance their fiscal accounts. It was claimed at the time they had no alternative. The candidates’ views on austerity all had a similar theme that it would be difficult, however, it was necessary. Other terms used to describe this process is fiscal consolidation or contraction. As stated by one of the participants, austerity is not a word that you find in any of the economic textbooks. Another contributor believes it is a word used to describe how a government achieves balance in its fiscal position over a relatively short period of time or as contributor C put it ‘a sharp reduction in the Government fiscal position over a relatively short period.’ Some of the participants highlighted the main aspects of austerity as a reduction in expenditure by the government and a rise in taxation. The severity of this consolidation will depend on the speed of implementation and the extent of the cuts and hikes.

There are many reasons for implementation of austerity given by contributors. The main reason for applying it is an attempt to bring government debt under control. These measures
are introduced generally by governments with excessive deficits. Candidate B highlights the Maastricht Treaty convergence criteria target as reasoning for austerity. This is the ratio of the government deficit comparative to gross domestic product (GDP) which must not exceed 3% at the end of the preceding fiscal year. This is a criterion many of the Eurozone nations did not follow. As we can see from the below chart (Figure 4.1), according to OECD figures, the Irish government debt in 2010 was in a severe negative. The chart (Figure 4.1) shows Ireland to have a deficit of approximately 30% and some critics argue this figure may be conservative. It is also apparent that the Irish case was much more severe than that of other countries in economic difficulty. This evidence could be enough to base the idea on that prerequisite of austerity was inevitable for Ireland at that time.

Source: Eurostat Figure 4.1
Not only was it necessary for EU regulatory purposes but the need to reduce this deficit was also to assist Ireland’s bid to return to the international markets. All candidates agreed with a high deficit, it can be very difficult to borrow money from these markets, bonds or otherwise. The decisions made by ratings agencies can impact how the markets perceive the risk of loaning to certain countries. In some cases they will not loan to a country with existing severe debt but if they do decide to loan, the costs can be high. The high costs of maintaining this national debt can then impair efforts to grow one’s economy which then in turn can lead to the need to borrow more and the negative cycle can continue. In Ireland’s case they were borrowing, not to grow, but to sustain the costs of current expenditure, the day to day running of the of the country.

There are some arguments out there that claim it is possible to expand one’s economy in times of fiscal contraction (Perotti, 2011), as set out in an earlier chapter. However, some of the candidates believe this would be very difficult in Ireland’s case. One candidate highlighted that the kind of austerity brought in here in Ireland is more likely to create more unemployment. Candidate E said that ‘when I think of austerity, I think of 1840’s Ireland or 1930’s US and people on the streets, not fiscal policies.’ perhaps meaning that the term austerity is too harsh a word for the current Irish consolidation measures. One light at the end of the fiscal policy tunnel is, as stated by a contributor D is that austerity is: ‘painful in the short-term but they have long-term benefits’.
4.3 - Fiscal Contraction in a Shrinking Economy

Fiscal contractions are policies introduced by a government to decrease a budget deficit or increase a budget surplus, in Ireland’s case it is the former. It can also be referred to as fiscal consolidation. The majority of candidates support that Ireland had no choice but to introduce these fiscal measures in order to bring the budget deficit under control. Although negative implications can occur through these policies, the contributors explained how some constructive effects can come from these consolidations. In economic terms this is known as ‘Expansionary Fiscal Contraction’ (EFC).

Contractionary measures such as cutting government expenditure and raising taxes can have a negative consequence on the growth of an economy-the growth of which that same economy is relying on to expand. However, these negative effects, as explained by all of the candidates, can be off-set depending on other fluctuating circumstances such as external demand. This external demand, however, will depend on other countries not contracting at the same time. As put forward by one interviewee, if a country that Ireland relies on in export terms has a downturn at the same time as Ireland, and is experiencing contractionary effects, this will in turn have a negative impact on Irish exports. This negative effect will only compound the economic shrinkage that Ireland is experiencing. Also suggested by another contributor is that if you implement austerity sooner than your economic competitors and come out the other end before them you are in a good position.

Another potential negative effect of contractionary policies is that of the Ricardian Equivalence Proposition also known as the Ricardo-Barro Effect which proposes that
consumers and companies increase savings more in times of high government deficit levels with the expectation that taxes will be hiked up in the future to assist the government in paying back their loans. This escalation of savings means they are spending less and thus a decrease in domestic demand follows. However, one candidate’s view was that they were not convinced of this theory. They argue that if you raise taxes now, consumers have an expectation that taxes will not be raised in the future and therefore there will be no impact on spending levels. Another candidate supported this view by stating that they thought if people can see a stabilization of the situation by a government, they then feel they can spend again knowing there will be no more significant adjustments in the future. Interviewee C stated: ‘The way that worked was that if consumers and the economic actors think that fiscal contraction is going to lower taxes in the future, they would discount to a large extent the short term negative impulse to growth.’

As mentioned above, all participants elaborated on the negative effects of contraction could be offset. These can come in many forms. One method in particular highlighted by some participants was the deflationary effect of these policies. When the government is spending less and increasing taxes, this means consumers end up with less disposable income. This will then decrease demand which in turn can create a deflationary result. Some of the candidates made reference to the fiscal adjustments that took place in Ireland in the 1980’s. This has been viewed by many as a successful restructuring which saw Ireland decreasing their deficit by the introduction of the above mentioned contractionary policies. Also candidates believe that improved competitiveness can be created through these measures. One candidate did also highlight the fact that the speed of austerity can be positive, a swift contraction means your economy can restore competitiveness and growth sooner rather than later.
Contracting an economy means the government will have to borrow more from the international markets. Servicing these government bonds can be expensive for a country that has high debt to GDP ratios or carry significant risk. Borrowing less means the costs will decrease and free up that cash for other payments or stimulus. A main theme running through the views of the interviewees was that competitiveness could be gained by some of the contractionary policies. One of these highlighted was the reduction of government spending on public sector wages may lead to more competitiveness.

4.4 - Government Expenditure, Debt levels and Taxation

Using expenditure to grow your way out of a recession is an economic theory grounded in the economic views of JM. Keynes- also known as Keynesianism. Keynes’ fiscal policy argues it is a government’s job to stimulate growth in recessionary times through measures such as increasing investment in infrastructure. This is a policy the US have used in recent times known as quantitative easing (QE) but it is generally regarded as an unconventional monetary policy. This view, however, is rebuked by neo-classical school of economic thought. Neo-classical economists such as Milton Friedman and Robert Lucas believe that cutting government spending in the short term will assist in controlling the deficit.

When questioned about whether a government could spend its way out of a recession, the candidates were all in agreement that if the fiscal circumstances were suitable, than theoretically you could do so. However, all were equally indisputable that in Ireland’s present position, this was unlikely. As pointed out by candidate C: ‘while it would be desirable in principle to be able to increase expenditure, in practice, you know the debt constraint the
country is under makes it almost impossible to do so.’ The only way Ireland could gain the ability to increase expenditure was through borrowings. This is not possible for Ireland any more so than the fact they have accepted a bailout from the EU/IMF, a bailout that comes with many stipulations and restrictions.

Another option for Ireland would be to blow their budget and to overspend, however, because Ireland have such a high deficit, this is not possible. As put forward by 2 participants countries like the US, although with a high deficit, are in a position to spend their way out of the recession in the short-term. As one contributor explained, it is country specific and gave the example of Japan who while having a much higher debt/GDP ratio than Ireland are able to fund their spending without reliance on external borrowing. Such is the demand for Japanese Government Bonds (JGB’s) internally, there is a sufficient market to which the Japanese government can fund their own debt domestically.

Some of the participants were quick to emphasize that it doesn’t have to be all about spending. A selection of the interviewees again highlighted the necessity to address the lack of competitiveness in the Irish economy as a toll to aid recovery. Structural reform and changes to supply side policies were other tools mentioned by some of the contributors as another means to counteract the economic depression, although one candidate did believe that in the case of Ireland there was not a lot of structural reform to be done. They continued to use an example of the inflexible labour markets of Spain and Portugal where structural reform could be effective. The more flexible your markets, the more competitiveness can be gained. Another interviewee said a greater efficiency in the way the public services were delivered.
Asked about borrowing to fund stimulus, some participants agreed that if it was sustainable, then it would be an option. All candidates upheld that in the case of Ireland it is unlikely there would be a lender who would provide funds in order to increase spending. Two interviewees highlighted that in a recessionary state, it is normal for a country to increase borrowings, there will be a natural increase. Whether an economy can still grow whilst experiencing very high debt/GDP garnered a mixed response. Candidate A points out the high levels of debt experienced by nations involved in WWII and they were still able to grow after high levels of debt. As illustrated below (Figure 4.2), the chart shows that historically the US debt levels peaked in times of war but growth figures will show that during these times they were also able to show subsequent budget surpluses. Again this is country specific and is unlikely that this could occur in the case of Ireland. Another candidate, in reply to a question about the debunked research paper of Reinhart and Rogoff (2010), said the paper that rebutted Reinhart and Rogoff, (Herndon et al, 2013) did show that high debt levels did have a negative impact on economic growth.
In relation to taxation, the theoretical view is that a cut in taxes can inject much needed cash into a depressed economy. This view is echoed by some of the contributors but they point out that it is a policy that can only be engaged with if a government can afford to do so. They also contend that Ireland was not in a position to do so as they relied heavily on external funders and if they wanted to lend, they had to make such moves as increase taxes. Candidate C states that ideally a government would cut spending instead of increasing taxes. He adds increasing taxes has more of a negative impact on consumer sentiment. Contributor A emphasises that in the future, taxes should be less distorting and should be interrelated to a stable source of income so as to be a secure and consistent earner for the government.
4.5 Fiscal Multiplier in a Depressed Economy

As discussed in the Literature review, the definition of the fiscal multiplier is the ratio of a change in productivity to an exogenous and short-term change in the fiscal deficit in relation to a baseline figures. All candidates interviewed agreed that Ireland has a low fiscal multiplier. This is very relevant in terms of the implementation of austerity on an economy in difficulty as we will discuss in this section. The main reason for the low multiplier in Ireland, as highlighted by a number of the participants, is because Ireland has such an open economy. An open economy is where a domestic economy has significant activities with other economies. Ideally in an open economy, imports are preferably kept to a minimum; however, if it is necessary to increase imports to satisfy demand, it is important for an economy to enhance their export market in order to off-set outward spending.

A low multiplier also signifies that the economy is leaking a considerable amount of domestic expenditure. During time of normal economic activity, this is seen as a negative effect but a number of the contributors added that because of the low multiplier effect, Ireland was in a better position to introduce austerity measures and have less of an impact on the economy than that of and economy with a higher multiplier. As one interviewee put it, the cuts that were implemented by the Irish government in recent budgets will have as much effect on other countries as on Ireland. The effects on Irish imports will be significant. In short, the candidates assert that the impact of fiscal consolidation has a limited impact on GDP Ireland due to the openness of their economy. One candidate describing Ireland’s position as: ‘actually all fiscal multipliers look very different to other people and that we’ve been able to reduce the deficit without having a disproportionate impact and reduction of GDP. Now maybe that’s because of the export-driven nature of the Irish.’
Interviewee D explained that you can actually manage, to an extent, through targeted government expenditure the amount of leakage. If spending is directed to certain industries in Ireland that does not engage in as much importing as other sectors of the economy: ‘It depends on how you go about it. Obviously you can boost spending in certain sectors like construction or whatever but we don’t want to go back to a construction boom but then less of it leaks out’ This theory can be justified by the fact that the construction industry in Ireland has been devastated in recent years with links to spending cuts by the government.

Examples used by one interviewee of economies with high fiscal multipliers were the US and Russia. They also explained that it would be much more problematic for the aforementioned economies to introduce spending cuts like they did in Ireland as they would have a much higher proportionate damage to their GDP.

4.6 - Ireland and Iceland: A Comparative Analysis

Iceland had a similar crisis to Ireland in recent years; however, they dealt with it in a different manner. Ireland dealt with theirs in the orthodox economic way by sticking with their responsibilities to international investors and paying back bondholders and in doing so passing that burden onto the taxpayer. Iceland took the heterodox way. All the candidates interviewed agreed it would have been difficult for the Irish government to have replicated the course of actions that Iceland took in reaction to their economic crisis. They also highlight that Ireland’s options were limited in terms of monetary policy decisions due to their membership of a
currency zone. A lot of the economic choices associated with Ireland are influenced by the collective decision making process of the Euro area.

The interviewees explained the actions that Iceland took which included capital controls and using a flexible exchange rate. The reason they put in place the credit controls was to avoid a run on the banks. It is a macro-prudential economic policy which can prevent foreign investors or businesses from taking cash out of the economy -while also limiting how much foreign asset can be bought by their own residents. This capital controls action, when put in place keeps domestic credit at a level that is more accessible and affordable than would otherwise be the case. Candidate B highlights that if Ireland had attempted this measure it may not have been welcomed by international businesses. They continue to use examples such as insurance and financial service businesses and ask would they like to do business here in Ireland if there was a restriction on their finances and ‘they couldn’t get their cash out’, they probably would not. Another contributor added that Ireland would have difficulty implementing such capital controls; however, candidate E said ‘Cyprus has but they’re a similarly small country (to Iceland), they’re de facto not a Euro area member while they have capital controls in place.’

Candidates pointed out one of the other measures Iceland was able to use to aid recovery was a flexible exchange rate. They used their currency along with a flexible exchange rate to devalue. Devaluation means that your currency is weaker in exchange for other currencies and the economic result of this is that your exports become less expensive to foreign markets and inward investment is cheaper and more attractive. This was explained by one candidate in relation to Ireland’s difficult position of not being able to devalue: ‘in other circumstances we
could have allowed the exchange rate to fall gaining a lot in terms of competitiveness and maybe through that improvement, you could gain market share in export markets’.

Another measure the Icelandic’s took was to burn foreign bond holders. This would have had done serious reputation damage to Ireland if they were to follow this course of action. The majority of contributors were in agreement with this. Ireland would have too much to lose considering they have a more expansive financial services sector than Iceland. Also, candidate D put it that by Ireland not defaulting on bondholders they: ‘effectively took one for the team because it propped up these banks to the benefit not just of people in Ireland but people abroad and you could argue that we’re owed something for that.’ They continue to suggest that Ireland may have: ‘got certain concessions on the timing of the repayment of our debt’ as a result of protecting the bondholders. Another candidate puts forward a theory that burning the bondholders could have created a contagion effect throughout the rest of the European Union.

Comparing the results of the diverging measures that Ireland and Iceland took is difficult to quantify at this time. Candidate B considers they are unsure of the results of Iceland’s decisions yet and they affirm: ‘the jury is still out’. Contributor E highlighted the fact that Iceland have a lower unemployment level but similar GDP performance. However, they continue by adding that Iceland are currently experiencing high inflation rates and states: ‘High inflation can be very damaging to consumers’ and also adds fiscal consolidation would be his preference over high inflation. It is also added that Iceland’s inflation is comparable to that of the emerging markets and also highlights to the problems still experienced by Argentina for dealing with their economic woes similarly, however, it was pointed out that this is the first time Iceland have done this, Argentina have form in this area. Candidate D believes that the
controls that Iceland put in places will be difficult to disengage from, by stating Iceland are:
‘left in a situation where you can’t really undo these controls.’

It must be added that this comparison of both economies has its limitations. Ireland has
a population of approximately 0.32 million compared to Ireland’s 4.5 million. Ireland economy
is much more reliant on inward investment whereas Iceland is more self-sufficient and has a
less open economy. All candidates believe it would not have been possible to replicate the
Icelandic recovery model due to Ireland’s membership of the Eurozone and was therefore
limited in the monetary policies they could have implemented.

4.7 - Socio-Political Implications of Austerity

Although this research paper is concentrating on the economics of austerity, it is
difficult to ignore the socio-political implications, especially here in Ireland. However, as one
of the participants pointed out, we have not experienced as much social unrest as other
Eurozone countries suffering similar economic difficulties. These are countries such as
Portugal, Italy, France and Greece some of which are not even in financial programmes and
have not had as severe cuts in comparison to Ireland. It has only been certain demographic
groups in Ireland who have made any real effort to influence government through protest-
the students and pensioners. The same contributor, candidate (B) believes there is stoicism in
Ireland. ‘I wonder if there’s an element of acceptance by most people and therefore they realise
that there’s a necessary period of belt tightening.’
Another major problem highlighted by one of the interviewees is the issue of emigration (See figure 1.1). Ireland is currently losing their educated and skilled youth to other economies. This loss in the short term has social consequences with the forced fracturing of the families but in the long term, these losses will be felt in economic terms. Highlighting the social problem of house repossessions another candidate believes this could have long-term consequences for Ireland. Due to decisions made by the Irish government many homeowners are no longer in a position to repay their mortgages, we may not see the significances until the medium to long-term.

It was also put forward in one of the interviews that long-term unemployment, if left unchecked, could create a major problem in Ireland. Candidate D said; ‘If there’s persistent long-term unemployment, people will become de-skilled and that would affect the long-term growth potential of the economy’. To try to counteract this potential issue, the government should be introducing incentives and schemes with the intention of keeping the unemployed skilled so they are able to enter labour markets when the economy recovers.

### 4.7 - Assessment of the Progress of Austerity to Date

The debate continues as to whether austerity is working for Ireland or not. Many argue it is not working and all it has done is slow down any attempt by the Irish to expand and grow their way out of the recession they find themselves in. Some also argue it was implemented to help compensate the Irish government for the losses they incurred when bailing out the domestic banks. However, there is an increasing number who argue it has and still is being effective and say they are now beginning to see a shift in the fortunes that is the reduction of the government deficit. Candidate E got straight to the point in saying: ‘I think it’s clearly
worked in the Irish case, the numbers back that up’. The numbers he refers to are Irish budget deficit figures (Figure 4.3). Interviewee A put it that: ‘we are spending a billion more than we collect each month which is funded by the European Union so it’s austerity but it is still nevertheless substantial stimulus to the economy.’

(Source: CSO) Figure 4.3

All interviewees were unanimous in their assessment of whether austerity was working for Ireland. They affirm austerity is working. Contributor C believes that any attempt to slow austerity would be counter-productive and the government should stick to its budget targets. Interviewee B added: ‘The problem is that everybody else has started doing austerity and
economy has been very weak. So, the global economy has been very week and you’ve got the Eurozone crisis and the banking crisis so there’s been a lot of head winds but I don’t see a viable alternative.’ Some also believe that Ireland were better off implementing austerity sooner rather than later. It was elaborated on that the sooner Ireland hit their budgetary target would result in them being in a position to increase spending and lower taxes, thus stimulating the economy and increasing disposable incomes which will in turn help improve domestic demand and lead to a drop in unemployment.

It was also asserted by participants that evidence to support their views was the fact Ireland were back in the bond markets and interest rates are lower than before. A key aspect of exiting the EU-IMF bailout for Ireland is the ability to go to the bond markets and borrow money at an affordable interest rate to finance the day to day running of the country. Again highlighted by contributor C, there are other ways outside of expenditures to improve one’s economy; this can be achieved on the structural side.

Added by candidate A, although austerity is working it can be enhanced by stimulus from the major market, namely the EU, UK and US. These are the main markets Ireland exports to and if market share was gained here it could improve Ireland’s situation. However candidate A does concede that Ireland is limited as to what it can do to influence those particular markets. All participants agreed due to the unsustainable ratio of debt/GDP Ireland were experiencing (Figure 4.4) that some adjustment was needed and austerity was the best option.
4.8 - Conclusion

The author is satisfied that the results from the primary research analysis have been successful. The author was able to extract a multiplicity of data for each of the questions asked in the interviews. The data retrieved from the candidates through in-depth interviews was more than sufficient to answer all the research questions. The researcher also found that they were being educated throughout the process. The theoretical findings from the secondary research was introduced through the questioning of the participants. Much of that theory which was applied to the case of Ireland by the expert contributors failed to stand up due to the uniqueness of Ireland’s economic situation of being a member of a currency zone and involvement in a bailout from the EU-IMF. However, it also found that some of the theory can be used to advocate the implementation of austerity such as Ireland having a low fiscal multiplier and certain fiscal instruments successfully being used to reduce the budget deficit. In the following
chapter the results from the data analysis and the literature review will be correlated and contrasted.
5. Conclusion and Recommendations

5.1 - Conclusion

The purpose of the current research was to determine and examine what austerity is, its implications on the economy and was it a necessary evil for Ireland. This topic was chosen because it affects everybody in Ireland. In this examination, the aim was to assess whether there was a viable fiscal or monetary policy alternative to the measures implemented by the Irish government. The severity of its effects on the people of Ireland led the author to endeavor to answer the earlier mentioned research questions. Although a lot of the research reviewed already covers the relationship between fiscal instruments and their effects on the economy, there was very little literature on fiscal consolidation based on an open economy in recession with such fiscal and monetary limitations as Ireland did.

To fully understand fiscal and monetary theories and concepts that exist in relation to austerity and economic recovery i.e. taxation, expenditure, fiscal multiplier, flexible exchange rates, etc. the author had to vigorously scan and analyse a plethora of academic papers and articles for their secondary research. However, this helped set the foundations that would assist the researcher in being able to set the right questioning in the interviews with the intention of extracting the most relevant data possible. This process was then assisted by the writer’s ability to gain access to senior economic and banking professionals through very accommodating friends and work colleagues, to whom I am grateful. Altogether this has led to a successful primary research process which clarified and answered the research questions which was the main aim and objective of this research paper.
From the research conducted the author was able to answer the research questions put forward at the start of this paper. It was highlighted at the start that most people’s view of austerity was generalized negativity related to them having less money. We found from the contributors that this sentiment did exist. The technical side of it was that the government increases taxes on workers and consumers and cuts back on investment into the economy. We learned that this was a tool used by the Irish government to improve deficit levels. Under the circumstances they found themselves in, they had few other options. Austerity comes in many ways. It can be implemented slowly over time to gradually assist a government’s balances and theoretically it should be used in boom times to build a budget surplus or control inflation. However, we found in the case of Ireland it had to be implemented sharply and extensively in order to be effective. Sharply, to get the process over and done with sooner so Ireland could get back to the bond markets and recovery. Extensively, because of the extent of the deficit Ireland had and the debt to GDP ratio

It was also shown from the literature review and reading Keynesian economics that an economy could increase expenditure to stimulate growth. Depending on the type of economy you are -for example quantitative easing in the US- you could spend extra in times of depression to aid economic recovery. Interviewees agreed with this theoretical sentiment, however, they pointed out that Ireland was not in position to increase expenditure. Why? Because Ireland were already spending more that their GDP per annum considerably and they could not even go to the bond markets for borrowing due to the high risk ratings they had. That is why the Irish government had to rein in spending. However, the results of this investigation show that there are other areas to which the Irish government can place more emphasis and that is structural reform and address the lack of competitiveness in sectors such as public service provisions.
They cannot replace austerity, but what they can do is offset the negative effects of fiscal contraction somewhat if addressed.

We also found out from the secondary research that it was possible to stimulate growth in the economy through a cut in taxation. This would leave more disposable income in consumers’ pockets and thus create extra domestic demand which in turn would lead to a drop in unemployment. Application of this theory to Ireland’s case was assessed by the contributors but they believed the Irish government was not in a position to relinquish such fiscal earnings in their position. The increase in taxation that was implemented as an austerity measure was vital income for the government in the fight to squeeze the deficit and limit the growing debt problem. The deficit was hampering Ireland’s chances of borrowing on the bond markets and the debt that at such a level was encroaching upon Ireland’s economic growth attempts.

It was also pointed out that due to the fact Ireland had entered a bailout programme with the EU-IMF meant it had given up some of its fiscal powers. The troika’s influence on Ireland’s decisions are not known fully; however, it is clear there is some influence being imposed. It is in the troika’s interest to get Ireland out of the bailout as soon as possible which means they get their loan back, so implementing tax hikes and spending cuts is their preferred method.

The complexity of the fiscal multiplier and its implications on an open economy in difficulty was analysed. It was clear from the primary research that Ireland has a low multiplier. This is not ideal in normal economic times, but very relevant to austerity decision making. Ireland being an open economy meant that spending cuts made by the government had a disproportionate impact on GDP because of the low multiplier. In other words, a significant
amount of fiscal expenditure leaves the country anyway through such sectors as exports. Therefore it will not do as much impairment to your economy and you are freer to consolidate. These fiscal contractionary policies could have had a more severe implication in a different economy.

We compared Ireland’s recovery to that of Iceland who took a heterodox approach. There were some fiscal similarities in both approaches; however, Iceland had more monetary policy freedom than Ireland. Iceland defaulted on their bondholders, used flexible exchange rate to be more competitive and implemented capital controls. Ireland on the other hand was responsible in their tactic, they bailed out their banks, guaranteed deposit holders and major bondholders were paid. Our candidates were in concurrence with the literature of Gylfason, (2013) in that Ireland really had no choice to replicate Iceland.

This however, was at the expense of their tax payers. Ireland’s situation was different to that of Iceland. Ireland was a member of a currency union, the Eurozone. This meant they had a responsibility to make decisions in the best interest of the union thus, the decision not to burn bondholder due to the potential of a contagion effect throughout the EU. Also a factor in this decision was the damage that would be sustained on the reputation of Ireland as an international finance hub. Members of the Eurozone could not have implemented capital controls while remaining as a member also by introducing such controls would sour foreign business view of Ireland if they were limited to the amount of their own money they could take out of the country.

The pros and cons of a flexible exchange rate were discussed in an earlier chapter. These were utilized by Iceland to improve competitiveness through devaluation. The researcher
believes that if Ireland had the ability to devalue their currency they could have increase its share in the export market. However, Ireland was restricted due to the collective currency it belonged to. Therefore, the Irish financial authorities were not in a position to devalue with the hope of increasing competitiveness. The debate about the effectiveness was first examined through existing literature and arguments were balanced, however, the interviewees were unanimous in their opinions on austerity. They all affirmed it was working for Ireland and believed there was evidence to back that opinion up, none more so than the sharp decline in the deficit figures. It was learned that for austerity to work in the long run, budget targets must be reached and there should be no decelerating the pace of the austerity process.

Returning to the hypothesis/question posed at the beginning of this study, it is now possible to state that Ireland was in an exceptional economic situation when the financial crisis hit. Austerity is not a pleasant policy to introduce, but their hands were tied in many respects; their expenditure per annum far overshadowed their earnings considerably as well as an analogous banking crisis which led them to enter the EU-IMF bailout. The long-term benefits to the government of austerity implementation on the Irish and their economy outweighed the damage in the short-term. The main aim of the government was to reduce its deficit with the intention of exiting the bailout and being able to go to the bond market and borrow at a sustainable rate.

The most obvious finding to emerge from this research is that austerity was the only option for the Irish government in order to fulfill their fiscal objectives. They could not increase expenditure because they did not have money or access to markets to borrow money. They could not cut taxes because the earnings they extrapolated from them helped cover current spending and decrease their deficit, thus reaching their objective. The low fiscal multiplier
leads the author to believe that these contractionary measures did not impact directly on the economy as much as a result. Another important finding that cannot be overlooked in terms of fiscal decision making, which we first found in secondary research and then it was supported by that of the experts interviewed is that the raising of taxes has a more profoundly negative effect on an economy than cuts made to government expenditure.

The researcher now considers that paralleling Iceland and Ireland was not a fair evaluation as comparisons between the two economies were limited. This study has shown that the measures Iceland took were not possible for Ireland who were: A) in a currency union which limited economic policy decisions and B) in a bailout where the borrowers were watching and analyzing every fiscal decision. The author is convinced through solid evidence that austerity is working so far for Ireland as the existing empirical evidence is difficult to refute. To summarise, Ireland made a decision to implement austerity on the Irish people with the intentions of regaining a foothold in the international market, it had little alternative and had responsibilities to external funders and so far it appears to be working.

Taken together, these results suggest that the only alternatives to austerity for Ireland was to burn the bond holders, keep spending, leave the currency union and devalue their currency or slash taxes with the hope to stimulate the economy. One of the more significant findings to emerge from this study is that none of the alternatives are viable in the case of Ireland. To leave or get thrown out of the Euro area for breaching regulations or voluntarily leave to control their own monetary policies would see Ireland in a far worse situation in the long run. Neither was it in a position to cut expenditure or slash taxes due to its diminished income in recent years. Considering the theory reviewed in chapter 2, through a critique of the literature and through the application of such theories to the current Irish economic situation
by the experts in chapter 4, leads the author to state that the existing theories explored do not stand up under the application to the unique case of Ireland. This unique case—namely that Ireland is an open economy with restrictions in terms of fiscal and monetary policies due to their current economic climate, their membership of the Eurozone and their entering of bailout with the EU-IMF—must be taken into account. The author is satisfied to state that their opinion is now that of; by implementing certain fiscal or monetary policies, namely defaulting on bondholders and introducing credit controls, Ireland could or would have been expelled from the Eurozone, not to mention the untold implications on their international reputation. This, a concurred by all the participants, would be devastating to the Irish economy in the medium to long term and would have a far greater negative effect on the economy than any of the policies implemented to date. The researcher also believes that the debt burden that sits aloft Ireland’s shoulders can be very problematic in terms of hampering economic growth, although Reinhart and Rogoff’s (2010) hypothesis was debunked, there still exists evidence to prove such a burden has negative effects on growth.

Finally, the full relevance of this researched cannot be realised until austerity has been shown to have fully worked for Ireland—i.e. they have exited the EU-IMF bailout; they can regularly borrow on the bond markets at an affordable rate and the economy has fully recovered with sustainable growth with a close to full employment rate. The Irish government must be given time to let their fiscal policies’ impacts be fully effective before judgment should be passed, however if austerity fails, by that time it may be too late to adjust, only time will tell.
5.2 - Limitations

A digital recording device was used, with the participant’s permission, during the interviews. This could have influenced the contributors to be more conservative with their answers, considering the nature of the subject matter. It would be possible it limited the participant’s views on Irish fiscal decisions and they may not have wanted to air views that were overly critical or complementary to the government as this could be sensitive.

In terms of literature researched, setting questions for and analyzing results of the interviews, it is important not to underestimate the level of bias that could have been in existence (Hinds, 2000). The researcher’s profession and academic history involve both banking and economics, the very subjects under scrutiny in this research. Therefore, the author was conscious of this at all times and made efforts to remain as objective as possible. However, the problem with using phenomenology, as is the case in this study, is that it is difficult to detect or to prevent researcher induced bias and it is not possible to eradicate all bias from research.

The participants selected for interviews both met and exceeded the criteria necessary to contribute successfully to this research. However, the sample was limited in terms of the case itself. The case study was that of Ireland, with all candidates coming from that particular jurisdiction. Therefore a certain amount of inherent bias is likely. It would have shed a more objective light on the topic if one of the participants were externally sourced; i.e. from another country. A candidate from outside Ireland may have been less biased about fiscal decision making and the Irish economy.
Although there are limitations to this research, it is the opinion of the author that the contribution of this paper is

5.3 - Recommendations

Due to the nature of fiscal consolidation and austerity, their effects - both negative and positive - can take a considerable length of time to become evident. It is for this purpose the researcher believes this research topic is incomplete until the economic standing of Ireland is reassessed when more comprehensive data is available at a later date. A recommendation of further research project could be conducted at that point.

During the research it came to the attention of the researcher that a very restricting element of Ireland’s economic policy decision making was limited due to its membership of the Eurozone. Ireland has done considerably well due to its relationship with the Euro, however, maybe it is now time to explore a future for Ireland without the Euro. This would free up controls of many fiscal and monetary policies but may leave Ireland isolated and vulnerable. The researcher would recommend this as a topic worth examining.
Chapter 6 – Reflection on Learning and Skill Development

6.1 - Introduction

The rationale for this section of the paper is for the author to reflect upon their development throughout the undertaking of the MBA and dissertation i.e. what learning skills were attained and existing ones improved during the process; how the author can use these newly developed skill in the future outside of academics. It affords the author the opportunity to identify positives with their learning and development processes as well as highlighting where they have improve. It is important to both analyse the theoretical foundations of learning and take a practical look at the author’s learning processes. The researcher is a professional who works in central banking and is proficient in areas such as banking, economics and finance. Prior to this study the author has previous studies in finance and accounting at honours degree level.

6.2 - Learning Styles

Learning can be explained as a continuous process that occurs every day of our lives from formal learning like education to informal learning like tying our shoelaces. This learning results in the development of new skills and knowledge. Individuals learn in various ways, having new experiences, reading a book or by making errors in life. As the learning process evolves throughout our lifetime, we subconsciously gravitate towards a particular learning style. Humans learn differently and at different speeds because of their biological and psychological differences. Learning style affects how a person reacts with other people, participates
in activities, solves problems and they also affect how a person teaches. A person’s learning style can have major implications on their academic consummation, an argument supported by much existing research (Cassidy and Eachus, 2000; Palmer and Goetz, 1988; Curry, 1990; Ellis, 1885; Griggs, 1985; Sarasin, 1999).

Kolb (1984) helps explain through the use of models the processes behind adult learning.

![Kolb's model](image)

Kolb's model (Figure 6.1) includes a four-stage cycle: Concrete Experience - (CE), Reflective Observation - (RO), Abstract Conceptualization - (AC), and Active Experimentation - (AE).

**Source:** businessballs.com

**Figure 6.1**
The most straightforward application of the model is to use it to make sure teaching and learning actions gain as much as possible from each stage of the process. This may mean that for the teacher, the task should be to entice the learner through the cycle, encouraging Reflection, Conceptualisation, and ways of testing the ideas. Each of the styles (Figure 6.1) described below are a combination of two of Kolb’s original styles.

Diverging (CE/RO) is the mix of concrete experience and reflective observation which can consist of feeling and watching. They will look at situations from a different angle and they fare better in areas that require idea generation. Some of the characteristics include strong emotions and creative imagination. They work well in team situations, are open minded and are good listeners.

Assimilating (AC/RO) is a mix of abstract conceptualization and reflective observation, they watch and think. Their approach is one of logical analysis and brevity. They are more focused on ideas and concepts rather than people and they need things explained well to them. They tend to fare well in areas such as science and information.

Converging (AC/AE) is a mix of abstract conceptualization and active experimentation. They think and then they do and they tend to do better in situations that require technical thinking. They would prefer to be dealing with technical problems rather than with people.

Accommodating (CE/AE) is a mix between concrete experience and active experimentation and are happy to work in groups. They tend to make decisions quickly therefore supporting the fact that they are risk takers. They prefer to follow instructions rather than figure something out themselves. They tend to fare better in professions such as teaching and nursing. They rely on receiving information from others but will do their own analysis.
Honey and Mumford (1982) created a model including styles based on Kolb’s experiential learning theory which has evolved further on the four types of Kolb’s learning style model. Honey and Mumford stated that the similarities between Kolb’s model and theirs are more significant than the differences (Honey and Mumford, 1992). In Honey and Mumford’s learning style model, the types of styles in the model are Activist, Theorist, Pragmatist and Reflector.

Activists embrace the idea of new experiences and are enthusiastic when it comes to new things. They learn by doing something themselves. Theorists are best at considering and translating observations into theories; they require the information set out clearly and in a comprehensible manner in order for them to grasp the concept. Pragmatists prefer to be experimental using their existing and learned knowledge. They like to apply their knowledge to obtain practical results. Reflectors are those who prefer to monitor other people and their actions from many different angles and analyse thoroughly before coming to a conclusion. Learning occurs for these types by observing and analysing the observed experiences. However, there are arguments against as to the viability of the above theory (Caple and Martin, 1994) where the researchers question the validity of viewing experiences as a primary motor of learning:

‘If measurements of personality are required, there are more valid and reliable instruments around (OPQ, 16PF, etc.). If we required to find out more about trainees’ preferred ways of learning why not simply ask the trainees themselves to consider some key questions, such as: What is learning? What learning experiences have been beneficial to you? (i.e. when was learning valuable, enjoyable, interesting to you?) Do you tend to avoid certain ways or opportunities for learning? How can others best be of
help to you in enabling you to enhance your learning and self-development? By exploring these, and related, themes with facilitators it is likely that trainees will develop clarity in terms of what works for them. This approach may be seen to be sufficient and perhaps preferable to Honey and Mumford's approach which, for all its abstract interest, is quasi-scientific and unnecessarily complex.''

(Caple and Martin, 1994 p. 20)

Other theorists such as Felder and Silverman (1988) whose models focus on a few statistically prevalent types claim learning style model learners are characterized by values on four dimensions, all of which can be viewed independently. Felder and Silverman’s findings are that teachers should adapt their teaching styles to suit their particular classes and drop those that don’t work and keep trying new ways. This will eventually reward the students with quality learning.

The researcher completed the Mumford and Honey (1992) questionnaire (Appendix 10) and the evidence shows the author’s learning style is activist. This makes sense as they are competent and content with problem solving. Another trait of the author which is consistent with the activist learning style is that they like to develop ideas without the restraints of policy rules and regulations. The researcher is not satisfied with being an observer and is always willing to contribute to discussions. However, the analysis from the questionnaire is not perfect as activists often prefer not to work in a solitary way, this is not true in the case of the author.

In completing the Soloman and Felder survey, the author can identify the results (Appendix 9) are reasonably consistent with the Honey and Mumford results (Appendix 11).
In the first questionnaire the author was found to be balanced between activist and reflector with a marginal lean towards the activist but in the Soloman and Felder questionnaire, it was found to be similarly balanced but in the way of the reflector. The author can also identify elements of reflector traits in their learning techniques. They are able to conduct careful and detailed research as is evident in this paper. Another reflector attribute the author can associate with is that of the capability to ponder on a situation or task before commenting. However, as with the Honey and Mumford analysis above, the author does not agree wholly that they possess all the mannerisms of the reflector because the author is comfortable under pressure and able to deal with ‘on the spot’ responses as would not be seen as a reflector’s characteristic.

6.3 - Time Management

As Mancini (2005) shows; ‘Time Management provides hands-on techniques and tools for making every minute count as it dispels myths that can actually cost instead of save valuable time’. Due to the complexity and duration of this project, personal management skills, including time management, were very important. At the beginning, progress of this paper and ideas were slow, this was mainly due to the uncertainties of such a broad topic until it was realised that there was a necessity to reduce the scope and give my research more focus. However, as the research developed, the introduction of a time-table was set-out which the author could use as a guide. Of course it is easier said than done when trying to follow strict deadlines, so there were some deviations from the initial plan, however, in such a comprehensive study this was acceptable. Although there were delays in certain aspects of the process, the author allotted spare time to cover unforeseen events. The author also realises that if too much emphasis is put on time management, an individual’s life can become mechanical and unspontaneous. After
analysis of the barriers to successful time management the researcher now knows to avoid disorganisation, the inability to say no, blurred objectives and continual interruptions to name but a few.

It is understood such a comprehensive paper comes with major editing issues, none more so than the control of the number of allowable words. This can be a difficult job with such a complex topic involving austerity and the Irish economy. Continuous monitoring was vital in order that the word count was not breached and therefore wasting valuable time editing and having to cut material at the end. In the researcher’s job, strict deadlines are common place, especially when engaging with international stakeholders in different time-zones. Building towards a deadline is a skill that must be learned and developed as not meeting them may impact upon others.

6.4 - Critical Thinking

Although widely recognised as very significant, there still appears to be debate concerning how critical thinking is correctly defined. A review of existing literature brings the author to note there are 2 areas of thinking regarding critical analysis; philosophy and psychology (Lewis and Smith, 1993). A third area in which critical thinking has been analysed to any significant extent is education according to Sternberg (1986). These three different elements have developed different approaches to critical thinking. The researcher appreciates the association between critical thinking and enhanced decision making which is proving valuable both academically and professionally and as shown in this paper they know how to separate fact from opinion. Although the author also understands there could be repercussions if conclusions
arrived at through critical thinking are not fully evaluated correctly e.g. when questioning au-

Before entering postgraduate studies this researcher tended to take academic and other journals at face value, however, I now feel more confident in being more inquisitorial with all other opinions. I have even found myself questioning lecturers on occasion on their stance on various subjects; thankfully they see this as positive for students and have always obliged answers with intellectual debate and consideration. This is the part of the MBA that I find most stimulating although I still have a long way to go before my questioning can be supported with serious counter-argument to sentiments I disagree with. The acquisition of this skill cannot be overestimated in the author’s profession, as in their job some decisions that are taken are based on analysis of other peoples work. It is important to be able to critically evaluate somebody else’s opinion and work if you intend to use it for reference or support of your own work.

6.5 - Numeracy and Quantitative Skills

As shown in Ancker and Abramson (2012), weak quantitative skills have severe social and economic consequences from medical mistakes by patients and healthcare workers to er-

errs in basic decision making. This opinion is echoed by Cavanaugh et al. (2008).Although previous to the MBA the author had a reasonable grasp of these skills already, the necessity of a greater understanding in certain financial modules meant that greater skills were obtained. For example the financial analysis of company accounts, including financial ratios and other
complex computations such as WACC and NPV’s. This exposure to such numeric and quantitative activities has been of great benefit considering the nature of the author’s profession is in central banking and finance.

While writing the research paper I have also developed strategic thinking. I chose interviews in order to obtain the qualitative data necessary to the hypothesis of the author’s research. Surveys or focus groups could not have produced the standard of data I obtained through the interviews.

6.6 - Future Application

The intention for undertaking an MBA in Finance was, for the author, intended to gain a greater insight into both the practical and theoretical world of finance and banking. This was realised through the various modules provided which gave the researcher a solid understanding of theoretical finance and banking which has supported operational aspects of their profession. However, there were much more subtle lessons that were learned.

These lessons are of great importance in the professional world such as working within groups: group assignments which have already been replicated in the work environment by being involved with project teams, presentations in front of your peers, self-awareness; knowing ones strengths and weaknesses and the importance of being open minded and understanding towards colleague and others. Also the skill most important in completion of this paper; research and investigative skills, a skill that can be developed and honed in order to assist with research for my employers or even for further education in other research areas or a PhD.
The knowledge gained during the completion of the dissertation for the author was also very educational through interviewing experts. Before this process, the author had never conducted an interview and managed to carryout 5 successful interviews. The researcher had never needed to instil such self-discipline for academic purposes which included many sacrifices during the process. It would not have been possible to complete such a comprehensive exploration of such a complex topic without developing a newly discovered sense of persistence which was vital in keeping focussed on the thesis until the end. The author is now confident with their proven ability to take on such challenging tasks as an MBA and dissertation and will attempt to carry those newly obtained skills and those existing skills that were developed into their future professional, academic and personal existence.
Bibliography


CURRY, L. (1990) A critique of the research on learning styles. Educational Leadership


Gylfason, T. 2013, A tale of two debtors Iceland and Ireland – and their banks, Milken Institute


Data Protection (2007), Regulations S.I. No. 657/2007 — Data Protection Act 1988 (Section 16(1))


Sarasin, L.C. (1999), Learning Style Perspectives, Atwood Publishing, Madison, WI.


112
Appendices

APPENDIX 1

Dissertation Interview Questions

1. Austerity has many different meanings to different individuals and groups; there is even debate over the definition of austerity. What is your understanding of the meaning austerity?

2. In your opinion which school of economic thought; Keynesian’s active fiscal policies i.e. increased spending or Hayek’s lessening of fiscal intervention would best suit the current Irish economic recovery and why?

3. Do you think it is possible for a depressed economy to expand through fiscal contraction, how?

4. Should such a fiscal contraction policy be used in recessionary times, why/why not?

5. Is it possible for a government to grow its way out of a recession by increasing expenditure?

6. Could this be possible in the case of Ireland, how so?

7. Do you believe it is a good idea for a government in a depressed economy to increase its borrowings in an attempt to stimulate growth, why/why not?

8. Can a government with a high debt to GDP ratio still improve growth in its economy?
9. In relation to taxation, in your opinion which is better for recovery and growth in a recessionary economy, a cut or an increase? Brief explanation why?

10. Are there any significant implications of spending cuts and tax hikes in a recessionary economy with a low fiscal multiplier, explain?

11. Could Ireland have replicated the Icelandic model, why/why not?

12. What economic policy limitations did Ireland have that Iceland did not have to contend with?

13. In your opinion has the Icelandic recovery model been successful, how?

14. It is now widely argued that austerity is not working for Ireland, do you agree/disagree, brief explanation? If this is the case, what alternative would you suggest could be a viable alternative for the Irish government to stimulate recovery?

15. What are the socio-political effects of austerity that you have seen?
Interview guide - Standardized Open-Ended

This will be semi-structured interviews; all interviewees will be asked the same questions. The questions will be structured in such a way as to receive open-ended answers (Gall, Gall, & Borg, 2003). This way allows the participants to address the questions as in-depth as possible and will assist the researcher with the chance of follow-up/probe questions.

One major issue with this form of interview is that the difficulty of coding the data (Creswell, 2007). Since open-ended interviews in composition call for participants to fully express their responses in as much detail as desired, it can be quite difficult for researchers to extract similar themes or codes from the interview transcripts as they would with less open-ended. It will be much more time-consuming and complex for the researcher to go through all the data from these interviews and get an accurate picture of the participants sentiment.

However, there is another advantage that Gall et al (2003) suggest, is that standardised open-ended interviews can lessen subjectivity from the researcher, therefore there will be less bias. The researcher is using this method to gain as much insight as possible in the topic in order to answer the research questions. Also highlighted is the importance of the sequence and wording of interviews. The researcher understands the importance of preparation for an interview as highlighted in (McNamara, 2009).

There are eight principles involved in preparation for interviews:

- choose a setting with little distraction
- explain the purpose of the interview
- address terms of confidentiality
- explain the format of the interview
• indicate how long the interview usually takes

• tell them how to get in touch with you later if they want to

• ask them if they have any questions before you both get started with the interview;

• don't count on your memory to recall their answers.

The participants can at times lose focus of the interviews (Creswell, 2007) this is why it is important for the Interviewer to have properly structured questioning with follow questions or prompts. To increase the value of the data received in an interview Creswell’s suggestions will be used and focus on follow-up questioning to counteract a potential lack of focus from the participants.

Interviews have a specific purpose, so it is necessary to store the answers in a relevant, usable, and accessible form to fulfil this purpose. Whoever uses the results of interviews, whether quantitative or qualitative, needs some way to code the results so that they can be used without listening to the whole tape or reading the whole transcript. The researcher understands the importance of coding and will use it to extract the most useful data and trends from interview results.

‘Any researcher who wishes to become proficient at doing qualitative analysis must learn to code well and easily. The excellence of the research rests in large part on the excellence of the coding’

(Strauss, 1987)
Interviewer: 1

Austerity has many different meanings to different individuals and groups; there is even debate over the definition of austerity. What is your understanding of the meaning austerity?

Respondent:

- form of deflation whereby the Government reduces its expenditure and increases taxes
- movement to reduce wage levels and to reduce other sorts of input costs
- there’s an assumption by becoming more competitive and by getting the public sector debt under control that our increased competitiveness makes one’s borrowing more easily on the international markets
- lead to an improvement in the overall welfare of society
- the ESRI (P. Gerlach, 2013) have done some work on the distribution implications of austerity in the last four or five years, you’ll see that broadly speaking older people have continued to experience increases in income
- most of the burden of austerity has been borne by younger people.

Interviewer: 2

In your opinion which school of economic thought; Keynesian’s active fiscal policies i.e. increased spending or Hayek’s lessening of fiscal intervention would best suit the current Irish economic recovery and why?

Respondent:
• A combination of both.

• Ireland is a very open economy and it’s going to succeed or fail to a considerable degree on its ability to export.

• If the markets where Ireland exports its products to, the UK, the rest of the EU and the US grow, then that will lead to increase in demand for the tradable sector of the economy which in turn will boost non-traded sector which includes things like hotels, meals and all those sorts of things

• make sure that you have the budget under control and you have an efficiently structured tax system

• Work done by Seamus McGuinness and Philip O’Connell and Elish Kelly show that in the public sector for example, the wage premium was 20% - 30% so that needs to be wrung out of the system so there is a need for a reduction in wage levels and/or an increase in productivity.

Interviewer: 3

Do you think it is possible for a depressed economy to expand through fiscal contraction, how?

Respondent:

• combination of other countries demand expanding, particularly in the currency union.

• wage inflation was also above the rest of the EU and that’s where compensating productivity gains are required

• need to ensure that those sort of costs are under control.

• not every country can contract at the same time through deflation because then you’ll just end up with reduced amount for exports
Interviewer:  4

Should such a fiscal contraction policy be used in recessionary times, why/why not?

Respondent:

- ideally a country shouldn’t be in a position like Ireland, where the bank debt has become sovereign debt and you are getting real difficulties.
- Ideally you should have a tax system which isn’t sensitive, which isn’t pro-cyclical like the tax system Ireland had with transactions based taxes on property which collapsed after 2007/08
- you didn’t have sources of income which were much more resistant to the fluctuations of the cycle like the property tax and things of this nature
- situation when you’re in a recession that you can, to some degree, offset that by stimu-
- lus.
- But Ireland is not in that position because of the financial situation
- It’s unable to borrow on the financial markets so it’s not possible to have a stimulus package.

Interviewer:  5

Is it possible for a government to grow its way out of a recession by increasing expenditure?

Respondent:

- it’s possible.
- often you have to finance that by borrowing
• Borrowers have an expectation they are going to get their money back. Therefore you can borrow at a lower rate of interest, because people are going to pay it back, thinking they’ll get it back like Germany can or like the US can or even the UK,
• then if you get low interest rates and you’re able to do those sorts of things.

**Interviewer: 6**

Could this be possible in the case of Ireland, how so?

**Respondent:**

• clearly not.
  • No, because it’s gone into a bailout package from the rest of the EU

**Interviewer: 7**

Do you believe it is a good idea for a government in a depressed economy to increase its borrowings in an attempt to stimulate growth, why/why not?

**Respondent:**

• if it’s done on a sustainable basis
  • if it can be borrowed at a reasonable rate of interest, yes

**Interviewer: 8**

Can a government with a high debt to GDP ratio still improve growth in its economy?

**Respondent:**
it’s a question about whether you’re going to finance more expenditure in a recession by borrowing you’ll credibly pay-off the debt you incur

- if you can’t pay them, they are not going to lend to you or if they do lend to you they’re going to lend at very high interest rates.

Respondent:

- It depends on the situation.

- Example, after the Second World War you can have very high levels of debt.

- Can you have a credible plan to pay the money back so people believe you’re going to do that? And if they do, then the level of debt can be high.

- you wouldn’t expect at the height of a boom to have very high debt level.

Interviewer: 9

In relation to taxation, in your opinion which is better for recovery and growth in a recessionary economy, a cut or an increase? Brief explanation why?

Respondent:

- we should have a non-distorting tax system which supplies stable secure sources of income, sources of revenue for Government.

- There should be as least distortion as possible.

Interviewer: 10

Are there any significant implications of spending cuts and tax hikes in a recessionary economy with a low fiscal multiplier, explain?
Respondent:

- A colleague of mine this morning, John Fitzgerald, says that we have a low fiscal multiplier in Ireland.
- Medium Term Review comes out tomorrow, there are estimates of what the leakage is.
- Money can leave the country for example, to car builders in the West Midlands
- Multiplier not high here but it would be high in the United States or Russia.

Interviewer: 11

Could Ireland have replicated the Icelandic model, why/why not?

Respondent:

- It’s difficult for Ireland to replicate the Icelandic model because it’s part of a currency union whereas Iceland is not.
- there are dangers of debt default in the sense that you’re going to have to pay a premium for a future
- May impact on the reputation that you have.
- not sure that Ireland could have replicated that particular model.
- If they hadn’t [Ireland] given the guarantee on the night of September 2008, there’d have been runs on the bank,
- all sorts of problems and difficulties would have occurred.

Interviewer: 12

What economic policy limitations did Ireland have that Iceland did not have to contend with?

Respondent:
• We had a huge amount of inward investment in Ireland and if you suffer that kind of reputational damage it might have affected some of that adversely

**Interviewer: 13**

In your opinion has the Icelandic recovery model been successful, how?

**Respondent:**

• Iceland have indicted people for what went on when there was a lot of reluctance to do so here.
• Assets seized abroad under terrorism legislation in the UK
• It goes back to the way the Central Bank dealt with AIB when it bought the insurance company and then the follow-up from the DIRT Inquiry
• There was an inability to implement certain things in respect of directors and client statements
• Irish default could have led to a contagion within the rest of the European Union.
• options were limited yes
• arguably what’s happened is better than having an even bigger decline in employment

**Interviewer: 14**

It is now widely argued that austerity is not working for Ireland, do you agree/disagree, brief explanation? If this is the case, what alternative would you suggest could be a viable alternative for the Irish government to stimulate recovery?

**Respondent:**
• I Disagree
• We have The Troika in here all the time who are pushing through what’s a sensible micro-economical reforms
• we are spending a billion more than we collect each month which is funded by the European Union so it’s austerity but it is still nevertheless substantial stimulus to the economy.
• I don’t quite see what alternative there would be.
• An alternative has to be there’s more stimulus as I said from the major markets from which Ireland sells, in the EU, in the UK, Europe and in the US. Those are the places where it has to take place.
• Ireland have limited ability to be able to influence those markets. The way it can do that is by the sort of reforms that have been going on, imposed by the troika
• The idea that you introduce all these reforms, these structural reforms to the economy, create more competition
• unfortunately for those changes they don’t feed through straight away, they take a lot of time to feed through.

Interviewer: 15

What Socio-political effects of Austerity have you seen?

Respondent:
• There’s many effects, there’s emigration, a lot of people have to leave and I presume it’s not their choice, so there’s obviously a cost there.
• People bought houses and are being repossessed, so there’s obviously a cost there.
- But on the other hand, lots of people have got buy-to-let properties.
- People chose to invest in certain assets so if you invested in some assets you did quite well and you invested in other assets and you didn’t.
- It’s not clear to me that people who invested in assets which are going down the tubes should be compensated for that.
- Bank shares went down so clearly a lot of people have lost.
- Some big losers in pension funds as well

Respondent:

- it’s not clear that lessons have been learnt from what happened.
- What institutional changes should we take?
- Should we have a more effective accountable Dail, Committee of the Dail that mean we don’t get as much group think as we’ve had in the past.
- The crisis here was much more simple compared with all these CDO’s and CDS’s and mortgage back securities
- Here it was just a real estate boom which got out of control.
- if the Central Bank and the Financial Regulator had done their jobs then things wouldn’t have been as bad as they were.
- it’s all in the Honahan report, some going back to 2000.

End of Interview (A)
Interviewer: 1

Austerity has many different meanings to different individuals and groups; there is even debate over the definition of austerity. What is your understanding of the meaning austerity?

Respondent:

- achieve balance in your fiscal position and avoid running an unsustainable and excessive deficit and bringing that back under control
- if you’re deficit position is excessive then you’re borrowing costs are too great and
- the clear reference point everyone has is a Maastricht criteria of the 3% for the deficit.

So, I think that’s the reference point for austerity

Interviewer: 2

In your opinion which school of economic thought; Keynesian’s active fiscal policies i.e. increased spending or Hayek’s lessening of fiscal intervention would best suit the current Irish economic recovery and why?

Respondent:

- In the case of Ireland, whether you should persevere with austerity or whether you should go for fiscal stimulus, in the Irish context, my view is that the answer to that is very different from country to country and that in Ireland’s case it makes sense to stick to your guns
- the capacity to do stimulative activity here is so limited
• if the Government say took the promissory note money and spent it on stimulus.
  
  I just don’t think you’re going to get that much value out of it.

• high fiscal multipliers is a bad thing and because Ireland has a low multiplier we’ve been able to reduce the deficit without having a disproportionate impact and reduction of GDP. Now maybe that’s because of the export-driven nature of the Irish.

• if you’re an individual country and get into austerity at an early stage this can be beneficial but if other countries do it at the same time you can have difficulties

• Irish quantums of austerity would not make sense in the US. You can stimulate your economy if you’re big enough.

• I think whether it makes sense or not it’s country specific and situations specific and partly it’s linked to the fiscal multiplier.

• I think that the Irish approach is the correct one.

**Interviewer: 3 and 4**

Do you think it is possible for a depressed economy to expand through fiscal contraction, how?

Should such a fiscal contraction policy be used in recessionary times, why/why not?

**Respondent:**

• I don’t know if the fiscal contractions is going to be what causes to expand but I would imagine that if you’ve got in the mix there wage deflation and increased competitiveness, then you’re economy can expand

• you could also argue from the kind of austerity, that if you get it over and done with quite swiftly, it means you are stronger and leaner for later on.
For example, by reducing your borrowing costs. High borrowing costs are hurting our banking system and making it harder to lend to the economy so there are some ways for it to work.

**Interviewer: 5 and 6**

Is it possible for a government to grow its way out of a recession by increasing expenditure? Could this be possible in the case of Ireland, how so?

**Respondent:**

- I think the answer is yes you can grow by increasing expenditure.
- I’m sceptical about that in Ireland because I just don’t think there’s the room for manoeuvre. If you increased spending you could blow your budget and you’d have a major funding crisis
- you’d have a huge issue with your EU/IMF programme,
- you’d have a huge problem with your borrowing costs.

**Interviewer: 7**

Do you believe it is a good idea for a government in a depressed economy to increase its borrowings in an attempt to stimulate growth, why/why not?

**Respondent:**

- The only way to increase expenditure would be to increase borrowings.
- I’d say in the Irish context you couldn’t do more borrowings to stimulate growth.
- So say the US, it’s got very high deficit levels, they could borrow some more to stimulate in the short-term but I think in Ireland there’s no wriggle room for that.
- You’re not going to be able to borrow. People won’t lend to you to do that
• I don’t think it would work for Ireland.

**Interviewer: 8**

Can a government with a high debt to GDP ratio still improve growth in its economy?

**Respondent:**

• There is a wide range of debt to GDP ratios and some countries have in the past at least been perfectly fine with a high ratio so

• a lot of it is confidence, if the markets have confidence then they’ll keep lending to you

• it’s quite country specific, for instance, in Japan there’s a lot of domestic demand for JGB’s so therefore they have a very high debt ratio but they don’t have to fund it externally so they basically can fund their own debt.

• Whereas in Ireland we don’t have the capacity to fund our own debt.

**Interviewer: 9**

In your opinion which is better for recovery and growth in a recessionary economy, a tax cut or an increase in the tax rate? Brief explanation why?

**Respondent:**

• without talking about deficits, a cut is better

• a cut will stimulate the economy.

• if you’ve a choice between public spending cuts and tax increases, then I think spending cuts are the way to go rather than tax increases.

**Interviewer: 10**

The fiscal multiplier in Ireland is said to be low, are there any significant implications of spending cuts and tax hikes in a recessionary economy with a low fiscal multiplier, explain?
Respondent:

- answered earlier
- low multiplier means it’s safer to make cuts in terms of having a limited impact on GDP.
- But a high multiplier means that there’s more likely to be a negative feedback. So I think that is relevant.

Interviewer 11
Could Ireland have replicated the Icelandic model, why/why not?

Respondent:

- I don’t see how it could have done and remained in the Eurozone.
- their repudiation of certain debts which would create challenges for remaining an open economy having a financial services centre that there was a devaluation and there were currency controls.
- So I think if Iceland had been in the Eurozone, I can’t see how Iceland could have done some things.

Interviewer: 12
What economic policy limitations did Ireland have that Iceland did not have to contend with?

Respondent:

- Being in the Eurozone and being a more international services economy
• The fact is they still have currency controls, foreign investors still have their money trapped in there.

• Would you do business in Ireland if you couldn’t get your cash out, I don’t think you would.

**Interviewer: 13**

In your opinion has the Icelandic recovery model been successful, how?

**Respondent:**

• the jury is still out because they are back in the bond markets

• they still have these exchange controls and I don’t think they’ve an easy way out of the exchange controls.

**Interviewer: 14**

It is now widely argued that austerity is not working for Ireland, do you agree/disagree, brief explanation? If this is the case, what alternative would you suggest could be a viable alternative for the Irish government to stimulate recovery?

**Respondent:**

• I disagree that it’s not working in Ireland.

• I would say that the budget deficit was so serious and the debt so serious that it needs to be addressed and that there’s been very good progress in reducing the deficit over time
• The problem is that everybody else has started doing austerity with global and Eurozone economies weakening so there’s been a lot of head winds but I don’t see a viable alternative.

**Interviewer: 15**

What are the socio-political effects of austerity that you have seen?

**Respondent:**

• look at the UK where you had the riots two summers ago and social unrest

• protests in Greece, Portugal, France and Italy, areas that aren’t in programmes, they haven’t had such severe cuts.

• I think there’s a unity, a stoicism in Ireland.

• most people here realise that there’s a necessary period of belt tightening.

• I’ve been impressed by the social cohesion.

**End of Interview (B)**
Interviewer: 1

Austerity has many different meanings to different individuals and groups; there is even debate over the definition of austerity. What is your understanding of the meaning austerity?

Respondent:

- a sharp reduction in the Government fiscal position over a relatively short period.
- thinking of it in terms of Government deficits and the speed of the reduction
- what’s important is probably the speed and also the extent of the reduction

Interviewer: 2

In your opinion which school of economic thought; Keynesian’s active fiscal policies i.e. increased spending or Hayek’s lessening of fiscal intervention would best suit the current Irish economic recovery and why?

Respondent:

- I think there’s a bit of both involved here. We clearly have to reduce the fiscal deficit because it’s unsustainable
- while it would be desirable in principle to be able to increase expenditure, in practice, you know the debt constraint the country is under makes it almost impossible to do so.
- there’s still a lot you can do on the structural side by way of increasing competition, particularly freeing up markets and they would be more in the spirit of Hayek’s approach to
reduced Government intervention and allowing more scope for the market to have a beneficial effect.

Interviewer: 3

Do you think it is possible for a depressed economy to expand through fiscal contraction, how?

Respondent:

- I think there have been times in the past and there were studies looking at the case of Ireland in the 1980s that recognised fiscal contraction as having being successful.
- The way that worked was that if consumers and the economic actors think that fiscal contraction is going to lower taxes in the future, they would discount to a large extent the short term negative impulse to growth.
- The economy could still expand while fiscal contractions take place.

Interviewer: 4, 5 and 6

Should such a fiscal contraction policy be used in recessionary times, why/why not?

Is it possible for a government to grow its way out of a recession by increasing expenditure?

Could this be possible in the case of Ireland, how so?

Respondent:

- we have to distinguish when a fiscal contraction is actually needed.
- in a recession it’s obviously not the best time to be attempting fiscal contraction if you had a choice.
- The problem is at the moment is, we actually don’t have a choice. We have to make
• the fiscal contraction because we’re actually unable to fund any expansionary Government policies at this stage.
• the answer to the question is, we really don’t have a choice.
• In a situation in which the starting fiscal situation was sound, it was be sensible to allow the automatic stabilisers to operate and to undertake some discretionary expenditure.

Interviewer: 7

Do you believe it is a good idea for a government in a depressed economy to increase its borrowings in an attempt to stimulate growth, why/why not?

Respondent:
• cyclically adjusted budget deficit measures how the fiscal position behaves over the cycle. In the normal way over the economic cycle, the Government deficit is going to change. It normally reduces in times of growth and increases in recession
• if you’re asking should we borrow to do this, it just again depends. The problem is, if you’re trying to increase expenditure when the level of debt is extremely high and the markets are unwilling to lend you the money, it’s not possible to do so.
• So, it might be okay and would be okay if you were starting from a positive surplus and a low debt ratio but if you’re not, it’s not a good idea nor probably isn’t even possible.

Interviewer: 8

Can a government with a high debt to GDP ratio still improve growth in its economy?

Respondent
• there are other policies which really you can do and put in place to stimulate growth apart from expansionary fiscal policy
• on the structural side, we have a lot of rigidities in the economy here, lack of competition in areas, if it were freed up, it would definitely help growth and improve consumption.
• So you could certainly have a look at the non-fiscal policies as well.
• debt which is extremely high does cause instability and lack of confidence.
• it feeds directly into consumer sentiment as well because they’re taking into account in their current spending decisions, the future increases in tax that will have to be imposed on them.

**Interviewer:** 9

In relation to taxation, in your opinion which is better for recovery and growth in a recessionary economy, a cut or an increase? Brief explanation why?

**Respondent:**

• it partly comes back to your ability to do so.

• in current conditions where the debt ratio is so high and the willingness of the market to lend you the money to pursue a reduction in taxation isn’t feasible.

• ideally you would cut expenditure. Increasing taxation could well be counterproductive by further reducing consumer confidence.

• you really don’t have a choice and it isn’t really possible to pursue a strategy of reductions in taxation.

**Interviewer:** 10
The fiscal multiplier in Ireland is said to be low, are there any significant implications of spending cuts and tax hikes in a recessionary economy with a low fiscal multiplier, explain?

**Respondent:**

- in Ireland the multipliers are relatively low given the openness of the economy
- it’s probably not the best environment to be increasing expenditure because the necessary impact is going to be limited.

**Interviewer:** 11

Could Ireland have replicated the Icelandic model, why/why not?

**Respondent:**

- if it left the Euro area but the economic consequences of that would have been enormous.
- the implications of default would be extremely large in the long-run.
- I think that in the light of our international and financial economic links it would be particularly bad for a country like Ireland,
- membership of the euro area also meant that we didn’t have the ability to use the exchange rate. So, on that I wouldn’t have thought so.

**Interviewer:** 12

What economic policy limitations did Ireland have that Iceland did not have to contend with?

**Respondent:**
• we have a fixed exchange rate with our EU partners so we have no ability to adjust the exchange rate.
• in other circumstances we could have allowed the exchange rate to fall gaining a lot in terms of competitiveness and maybe through that improvement, you could gain market a share in export markets and so on.
• we didn’t have that adjustment available to us.

**Interviewer**: 14

It is now widely argued that austerity is not working for Ireland, do you agree/disagree, brief explanation? If this is the case, what alternative would you suggest could be a viable alternative for the Irish government to stimulate recovery?

**Respondent**:

• austerity is working, it tough but it’s necessary.
• slowing it would be counter-productive.
• the sooner we get down to a sustainable fiscal target the better and that consumer expenditure will actually recovery fairly quickly once we get there.
• I don’t agree with the model of reducing the pace cuts on the fiscal side
• However, there are still other options on the structural side with very little to do with expenditure reductions
• We should stick to our budget targets

End of Interview (C)
APPENDIX 6

Dissertation Interview Synopsis (D)

Interviewer: 1

Austerity has many different meanings to different individuals and groups; there is even debate over the definition of austerity. What is your understanding of the meaning austerity?

Respondent:

- probably two different aspects to it that people have in mind when they talk about austerity in places like Greece and Ireland and other countries.
- kind of contraction in the economy that’s caused by the Government correcting its finances.
- more taxes or it’s less spending or it’s a combination of both and that naturally has a contractary effect on the economy and that’s painful.
- It increases unemployment usually
- in many of the economies, not so much in Ireland’s case but in many of the economies, structural reforms are needed,
- more flexibility in the labour market, maybe greater efficiency in public services provision.
- painful in the short-term but they have long-term benefits
- fiscal contraction and the structural reform.

Interviewer: 2
In your opinion which school of economic thought; Keynesian’s active fiscal policies i.e. increased spending or Hayek’s lessening of fiscal intervention would best suit the current Irish economic recovery and why?

**Respondent:**

- in Ireland’s case, we have no real choice about correcting the public finances because our debt ratio is very high.
- Basically we have to bring revenue and expenditure back more into line because nobody will give us the money to do otherwise.
- there’s a real debate to be had, you know, how austere for want of a better word you need to be.
- if you look at Europe as a whole, it’s debt ratio isn’t all that high compared to the US or Japan, in particular. But I think for us (Ireland) there is no question about the need for the correction or the inevitability or unavoidability of the correction that we’re making at the moment.
- it’s difficult to have an effective activist Keynesian type policy.
- it’s a question of what you call the automatic stabilisers. It’s a question of how much you let the public finances take the strain when there’s a downturn.
- So, you can take more of the strain and correct things more slowly and that has a kind of dampening effect on the contraction or you can decide to do it more quickly.
- we really have not choice but to do it relatively quickly.
- compared to say Greece and some other countries, our adjustment has been rapid but not quite as rapid as some of those economies so we haven’t gone for the very fastest possible type of adjustment,
Interviewer: 3 and 4

Do you think it is possible for a depressed economy to expand through fiscal contraction, how?

Should such a fiscal contraction policy be used in recessionary times, why/why not?

Respondent:

- Well the kind of fiscal contraction we’re having at the moment, it’s unlikely to lead to the economy expanding.

- It’s going to be contractionary in the short-term

- if the public sector keeps spending and you’re building up debt, people know in the long run this will have to be repaid and so this tends to kind of off-set any stimulatory effects

- when you have a contraction, sometimes people can take it as a kind of a sense that something is being done to stabilise the situation and you could have some sort of positive effects there in some circumstances.

- our previous kind of crisis in the late seventies into the mid-eighties, when the correction was eventually made the economy actually didn’t respond badly, it actually responded well

- the fact that you have done something to stabilise the situation means that people are actually free to spend again because there won’t be all those increases in the future.

- it can have this confidence effect

- in the short-term I think the depressing effects of the contraction probably outweigh that but certainly you can’t dismiss that channel

- where people can see an end to the fiscal adjustment that we’re currently undergoing, you may actually find then that that’s the point at which domestic demand in particular begins to recover a little
The savings rate is very high in Ireland at the moment so there is the potential for domestic demand to recover a bit.

- some of it is just high precautionary savings.
- if the situation seems to have stabilised, then you could get a drop in the saving’s ratio and you could get some pick up in the domestic side of the economy.

Interviewer: 5, 6 and 7

Is it possible for a government to grow its way out of a recession by increasing expenditure?

Could this be possible in the case of Ireland, how so?

Do you believe it is a good idea for a government in a depressed economy to increase its borrowings in an attempt to stimulate growth, why/why not?

Respondent:

- Well if its debt position is comfortable and it has the room to lean against the recession well then, yes,
- Ireland doesn’t really have the option to be doing that at the moment. We’re not in that situation
- if it’s got room to increase borrowings well then there’s a policy decision to be made.
- If it’s run up against the limit which we have, then it’s not a relevant question
- I think the main view now is that it’s really through this automatic stabilisation effect that the Government has the main mechanism by which recessions or booms are kind of moderated.
it’s not so much that it would go out to deliberately increase its borrowings but it’s just that when the economy is depressed, its borrowings naturally tend to increase.

if you’re in a comfortable debt position then you have the option of letting them increase and adjusting them only slowly over time.

**Interviewer: 8**

Can a government with a high debt to GDP ratio still improve growth in its economy?

**Respondent:**

- through a kind of direct stimulus, I don’t think that’s true.
- you can do other things to try and promote growth, by the supply side reforms
- through greater efficiency in the public services etc.
- it hasn’t got the room to just pump money into the economy.

**Interviewer: 9**

In relation to taxation, in your opinion which is better for recovery and growth in a recessionary economy, a cut or an increase? Brief explanation why?

**Respondent:**

- if you had the room to cut them (taxes) that would be one thing but we just don’t have the room to cut them.
- tax increases probably aren’t as good an idea as expenditure cuts, that’s generally what the research says
- it’s better to work on the expenditure side because it’s more controllable and if you up taxes they can have disincentive effects
• they can have tax avoidance effects and I think we saw some of those back in the 1970’s and ‘80’s when taxes were raised to the extent that there was a very large black economy and bit disincentive effects.

• So I think you have to be careful when you’re doing the correction to get a balance between the two and not to kind of work entirely on the taxation side. So, I think that maybe about two-thirds of our adjustment has been done on the expenditure side as against taxes and you know, maybe that’s not an unreasonable proportion.

Interviewer: 10

The fiscal multiplier in Ireland is said to be low, are there any significant implications of spending cuts and tax hikes in a recessionary economy with a low fiscal multiplier, explain?

Respondent:

• the multiplier is low in Ireland because

• if you boost spending then a lot of it flows out in terms of extra imports.

• you can boost spending in certain sectors like construction but we don’t want to go back to the construction boom but less of it leaks out.

• It’s just so open really where it’s hard for fiscal policy to have a strong stimulatory effect

• the fact that it is so open has helped us a bit as well because the export side of the economy has held up particularly well and kind of kept us going so there are advantages to that as well.

Interviewer: 11

Could Ireland have replicated the Icelandic model, why/why not?
Respondent:

- devaluation obviously clearly isn’t an option, you’d have to leave the Euro and there would be very bad consequences from that.

- Ireland effectively took one for the team because it propped up these banks to the benefit not just of people in Ireland but people abroad and you could argue that we’re owed something for that.

- subsequently Europe has decided that well actually it’s okay in some circumstances it needs to let banks fail and for bondholders to lose money

- maybe we’ve got certain concessions on the timing of the repayment of our debt, etc.

- Ireland still has a strong case in terms of say looking for a retrospective recapitalisation from the ESM but that’ll be difficult to do

Interviewer: 12 and 13

What economic policy limitations did Ireland have that Iceland did not have to contend with?

In your opinion has the Icelandic recovery model been successful, how?

Respondent:

- You don’t have the exchange rate

- you’re limited by collective decision making in

- things have been pretty tough in Iceland as well

- you had devaluation but then you have to impose things like capital controls and stopping money flowing out.

- unsure what their exact position is now but then you’re left in a situation where you can’t really undo these controls. So that situation is not quite as good.

- the Icelandic economy is a bit different from Ireland
they’re not in the same position certainly as Ireland so I think Ireland leaving the European Union would have a much more devastating effect.

**Interviewer: 14**

It is now widely argued that austerity is not working for Ireland, do you agree/disagree, brief explanation? If this is the case, what alternative would you suggest could be a viable alternative for the Irish government to stimulate recovery?

**Respondent:**

- I don’t see the alternative
- We haven’t got the money ourselves.
- If the Government was to try to balance it’s books in the morning, to approach the markets then that’d be a pretty catastrophic situation.
- You’d have to have massive further pay cuts.
- the adjustment process that has gone on has been unavoidable,
- I don’t think really there is a choice that would have given us a significantly better path really.
- the overall situation was that we had reached a position where we just had to have this adjustment one way or the other.

**Interviewer: 15**

What Socio-political effects of Austerity have you seen?
Respondent:

- it’s very important that we try and address particularly the long-term unemployment. If there’s persistent long-term unemployment, people will become de-skilled and that would affect the long-term growth potential of the economy
- important to have some schemes and systems and incentives in place to try and make sure people don’t drop into long-term unemployment
- that has to probably be the main target in terms of economic policies

End of Interview (D)
Austerity has many different meanings to different individuals and groups; there is even debate over the definition of austerity. What is your understanding of the meaning austerity?

Respondent:

- it’s not a term in any of the economic textbooks so I assume most people mean that it is or use it as another term for fiscal consolidation.
- it seems to be some sort of catch-all
- perhaps elements of the structural form and other policy initiatives that attempt to reform economies in difficulty.
- But when I think of austerity, I think of 1840’s Ireland or 1930’s US and people on the streets, not fiscal policies.
- I understand it as fiscal consolidation.

Interviewer: 2

In your opinion which school of economic thought; Keynesian’s active fiscal policies i.e. increased spending or Hayek’s lessening of fiscal intervention would best suit the current Irish economic recovery and why?

Respondent:

- there’s no way you could have proceeded with Keynesian policy given how close we were to running up against the bounds of credit worthiness
• you only can pursue a Keynesian policy if you have some sort of fiscal space and we’d no fiscal space at that time.

• On the Hayek side, where you should have just flushed out all of the bad debt and start all over again and let business fail, we couldn’t pursue that policy in Ireland

• if we just let all the developers fail and that fed through to the banks I think we would have a much deeper monetary crisis

• the pure Hayek view would have been just let everything start all over again but we would have been in a difficult situation.

• we’re maybe somewhere in the middle

• there’s no way we could have pursued expansionary fiscal policy

Interviewer: 3

Do you think it is possible for a depressed economy to expand through fiscal contraction, how?

Respondent:

• fiscal contraction policy seems to be deflationary.

• when the Government is spending less on providing goods and services, or you’re raising taxes which gives private individuals less to spend day-to-day,

• it’s going to be deflationary.

• I’m not convinced about the supposed Ricardian effects: if you raised taxes today well it means that consumers know they won’t be raising in future so they end up spending the same.

• In the Irish case that effect it isn’t going to be as deflationary as others.

• Ireland has a more open economy, the fiscal multiplier is lower let’s say somewhere around 0.5, it’s a lot lower than 1
• other countries that are large internal markets where if you make a cut, you’re going to affect the supplier down the road with cuts

• in Ireland, you’ll just as much affect the supplier from overseas as you would domestically.

**Interviewer: 4**

Should such a fiscal contraction policy be used in recessionary times, why/why not?

**Respondent:**

• depends on the current economic situation.

• avoid it if possible but I think it depends on how the crisis is.

• in the Irish case, you don’t have much space

• the debt ratio was going to rise pretty rapidly and once you had seen the effect of that on the market, where people lost confidence in Ireland and bond yields had risen so fast,

• if you’d gone into the crisis with the same starting position in Ireland of GDP ratio of 25% and if you didn’t had to shell out to prop up the banking system, well then conceivably you would have had a lot more fiscal space.

• smaller countries that don’t have large liquid, e.g. bond markets, funding markets, are going to find it more difficult to just go out and spend.

**Interviewer: 5**

Is it possible for a government to grow its way out of a recession by increasing expenditure?

**Respondent:**
• theoretically it is

• I think in the Irish case it’s very difficult to see that.

• in the US we’ve seen where fiscal policy has been loose over the last number of years and they’ve prevented a deeper recession and in fact more recently have had spark recovery alongside the monetary stimulus

• a big country that’s the anchor in the world and has the world’s reserve currency, they can do it. Ireland, it’s a very different case

• If you’re spending level is very high and has a negative impact on competitiveness to start, well then you’re not in as good a position of being able to do it.

Interviewer: 6

Could this be possible in the case of Ireland, how so?

Respondent:

• We’ve no choice.

• The other dimension is the competitive dimension

• if it was the case that Government spending had gotten to such a high level and the cost of that through wages had started to crowd out the private sector and hurt overall competitiveness in the economy going into the crisis, you certainly don’t want a lot more spending on top of that.

• if the public sector is more competitive and feeds right through into the private sector, in the longer-term it’s going to benefit the economy.

Interviewer: 7
Do you believe it is a good idea for a government in a depressed economy to increase its borrowings in an attempt to stimulate growth, why/why not?

Respondent:

- in the case of the US where they could stimulate in the short-term. theory would suggest that if you’ve a Central Bank who’s going to buy their debt in the case of the US that you can push forward growth in the short-term
- as long as you have some credible medium to long-term fiscal consolidation plan in place.
- the textbook says that you should consolidate when times are good and not spend
- you could say it’s not a bad idea in the short-term to raise your debt level in a depressed economy.
- In the Irish case given our debt to GDP ratio, well then you just couldn’t,
- you wouldn’t have found people to lend to you. You couldn’t finance those deficits, it’s as simple as that.

Interviewer: 8

Can a government with a high debt to GDP ratio still improve growth in its economy?

Respondent:

- So the Rogoff-Reinhart paper suggested that growth would be very hard to come by high with debt levels.
- If you look at the other paper that rebutted the Reinhart and Rogoff paper, it still showed that higher debt levels of growth was damaging to growth
• for a country like Ireland at high debt levels, it’s going to have some impact (on growth) and probably it’s more total economy debt, not just the public sector.

• if the private sector has no room to spend it’s going to make it difficult to see where you’re going to get a stimulus from.

• So, can a country improve, yes it can if there are other tools, policy tools to help it grow.

• One would obviously be structural reform

• in the Irish case, we don’t have a lot of structural reform to do, it’s not like our labour market is inflexible like perhaps Spain or Portugal.

• We don’t have a lot of structural reform to do. So that’s not really going to be a great tool for us to increase growth.

Interviewer: 9

In relation to taxation, in your opinion which is better for recovery and growth in a recessionary economy, a cut or an increase? Brief explanation why?

Respondent:

• If you’d room in the policy mix

• If you could consolidate more from the spending side to allow tax cuts, maybe that could help.

• depends on your view whether tax cuts or expenditure have a more damaging effect or more beneficial effect on the economy in the case of consolidation . . .

• the textbooks suggest that tax hikes are more harmful than spending cuts, it’s not fair to say that there’s uniform agreement on that.

• The broad thrust of the academic research seems to suggest that, and in the case of Ireland, that spending cuts may have less negative effects
Interviewer: 10

The fiscal multiplier in Ireland is said to be low, are there any significant implications of spending cuts and tax hikes in a recessionary economy with a low fiscal multiplier, explain?

Respondent:

- Ireland definitely is a lower multiplier than other countries in difficulty in the Euro areas.
- you’re freer to consolidate.
- we’re going to hurt other countries as much as we hurt ourselves when we consolidate.
- So if it’s .5 which seems to be the case, you can consolidate here more without doing the same damage to GDP

Interviewer: 11

Could Ireland have replicated the Icelandic model, why/why not?

Respondent:

- Iceland did similar things to Ireland.
- Iceland had to push through fiscal consolidation
- monetary response, strong treatment of creditors and the restructuring of private sector debt
- Ireland could not have done the same as Iceland in some of those ways
- we were in a common currency area.
- They have freedom to use capital controls and let their currency adjust
- unless we left the Euro area we couldn’t do the same.
They hair-cut senior depositors mainly because most of their depositors weren’t Icelandic citizens

I’m not sure we could have followed that policy given we’re so reliant on foreign direct investment.

household debt restructuring, we don’t have the fiscal space to do it.

Iceland is less than 400,000 population and we’re close to 5 million

**Interviewer: 12**

What economic policy limitations did Ireland have that Iceland did not have to contend with?

**Respondent:**

- we’re in the Euro area so unless we left it
- we couldn’t have introduced capital controls
- Cyprus has but they’re a similarly small country, they’re *de facto* not a Euro area member while they have capital controls in place.
- we couldn’t have adjusted the currency the same way
- Iceland has had very high inflation for consumers,
- I’d prefer to face fiscal consolidation and have some impact on living standards and avoid high inflation.
- High inflation can be very damaging to consumers
- once we entered the programme for financial assistance under the Troika it was taken outside our hands.

**Interviewer: 13**

In your opinion has the Icelandic recovery model been successful, how?
Respondent:

- it’s been okay.
- they’ve had lower unemployment than the countries in difficulty in the Euro area
- GDP performance has been not too different.
- they’ve (Iceland) had similar inflation performance to emerging markets
- Euro area countries has not had to face that given one of the advantages of the common currency areas is that we have managed since coming in to keep inflation low across the Euro area.
- Look how long it’s taken Argentina to recover. Now I think Iceland is better, it’s the first time it has done something like this. Argentina has a history of doing this and they’ve lost the trust of international investors at this stage
- in the Icelandic case it’ll take time but burning depositors always, it’s a more difficult thing to do than burning hard-nosed bond market investors who have short enough memories as long as they can make money elsewhere.

Interviewer: 14

It is now widely argued that austerity is not working for Ireland, do you agree/disagree, brief explanation? If this is the case, what alternative would you suggest could be a viable alternative for the Irish government to stimulate recovery?

Respondent:

- I think it’s clearly worked in the Irish case, the numbers back that up.
- we’ll have turned around the underlying public finances to the same extent that we did in the late 80’s early 90’s.
• We’re seeing the benefit of that in the bond market where interest rates have come down.

• there were thoughts at one stage that perhaps Ireland might have to restructure its debt

• we have managed to turn around our fiscal position.

• We’ve had a couple of deals (in the markets) this year

• the question of whether it’s been self-defeating, I don’t think that holds up at all. I just don’t think Ireland had a choice.

End of Interview (E)
APPENDIX 8

Consent Forms used for interviewees authorisation.

I……………………………………….agree to participate in Brendan Mc Hugh’s (DBS Dissertation) research study.

The purpose and nature of the study has been explained to me in writing.

I am participating voluntarily.

I understand that I can withdraw from the study, without repercussions, at any time, whether before it starts or while I am participating.

I understand that I can withdraw permission to use the data within two weeks prior to submission, in which case the material will be deleted.

I understand that anonymity will be ensured in the write-up by disguising my identity.

I understand my opinion will be pooled with that of other interview candidates in the write-up and any extracts used will not be directly associated with my name.

(Please tick one box:)
I agree to quotation/publication of extracts from my interview
I do not agree to quotation/publication of extracts from my interview

Signed…………………………………….   Date……………….
APPENDIX 9

Results from Soloman and Felder Learning Styles Online Questionnaire Taken By the Author.

Learning Styles Scales

NC STATE UNIVERSITY

Learning Styles Results

Results for: Brendan McHugh

ACT
11 9 7 5 3 1 1 X 3 5 7 9 11
--- ---
REF

SEN
11 9 7 5 3 1 1 X 3 5 7 9 11
--- ---
INT

VIS
11 9 7 5 3 1 1 X 3 5 7 9 11
--- ---
VRB

SEQ
11 9 7 5 3 1 1 X 3 5 7 9 11
--- ---
GLO

- If your score on a scale is 1-3, you are fairly well balanced on the two dimensions of that scale.
- If your score on a scale is 5-7, you have a moderate preference for one dimension of the scale and will learn more easily in a teaching environment which favors that dimension.
- If your score on a scale is 9-11, you have a very strong preference for one dimension of the scale. You may have real difficulty learning in an environment which does not support that preference.

We suggest you print this page, so that when you look at the explanations of the different scales you will have a record of your individual preferences.

For explanations of the scales and the implications of your preferences, click on Learning Style Descriptions.

For more information about learning styles or to take the test again, click on Learning Style Page.

http://www.engr.ncsu.edu/learningstyles/submit.php
Learning Styles Questionnaire
by Honey & Mumford

This questionnaire is designed to find out your preferred learning style. Over the years you have probably developed learning habits which help you benefit more from some experiences than others. Since you are probably unaware of this, this questionnaire will help you pinpoint your learning preferences, so that you are in a better position to select learning experiences to suit your style.

There is no time limit to this questionnaire. It will probably take 10-15 minutes. The accuracy of the results depend on how honest you can be. There are no right or wrong answers. If you agree more than you disagree with a statement, put a tick by it. If you disagree more than you agree put a cross. Be sure to mark each item either with a tick or a cross.

1. I like to be absolutely correct about things.
2. I quite like to take risks.
3. I prefer to solve problems using a step by step approach rather than guessing.
4. I prefer simple, straightforward things rather than something complicated.
5. I often do things just because I feel like it rather than thinking about it first.
6. I don’t often take things for granted. I like to check things out for myself.
7. What matters most about what you learn is whether it works in practice.
8. I actively seek out new things to do.
9. When I hear about a new idea I immediately start working out how I can try it out.
10. I am quite keen on sticking to fixed routines, keeping to timetables, etc.
11. I take great care in working things out. I don’t like jumping to conclusions.
12. I like to make decisions very carefully and preferably after weighing up all the other possibilities first.
13. I don’t like ‘loose ends’. I prefer to see things fit into some sort of pattern.
14. In discussions I like to get straight to the point.
15. I like the challenge of trying something new and different.
16. I prefer to think things through before coming to a conclusion.
17. I find it difficult to come up with wild ideas off the top of my head.
18. I prefer to have as many bits of information about a subject as possible, the more I have to sift through the better.
19. I prefer to jump in and do things as they come along rather than plan things out in advance.
20. I tend to judge other people’s ideas on how they work in practice.
I don’t think that you can make a decision just because something feels right. You have to think about all the facts.

I am rather fussy about how I do things - a bit of a perfectionist.

In discussions I usually pitch in with lots of ideas.

In discussions I put forward ideas that I know will work.

I prefer to look at problems from as many different angles as I can before starting on them.

Usually I talk more than I listen.

Quite often I can work out more practical ways of doing things.

I believe that careful logical thinking is the key to getting things done.

If I have to write a formal letter I prefer to try out several rough workings before writing out the final version.

I like to consider all the alternatives before making my mind up.

I don’t like wild ideas. They are not very practical.

It is best to look before you leap.

I usually do more listening than talking.

It doesn’t matter how you do something, as long as it works.

I can’t be bothered with rules and plans, they take all the fun out of things.

I’m usually the ‘life and soul’ of the party.

I do whatever I need to do, to get the job done.

I like to find out how things work.

I like meetings or discussion to follow a proper pattern and to keep to a timetable.

I don’t mind in the least if things get a bit out of hand.
APPENDIX 11

Results from Mumford and Honey Learning Style Questionnaire taken by the Researcher

<table>
<thead>
<tr>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each question you ticked on the other sheets, put a ‘1’ beside the question number on this sheet. Put nothing for crosses. Add up the 1s in each column.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1</th>
<th>4</th>
<th>2</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>7</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>9</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>10</td>
<td>14</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>13</td>
<td>20</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>17</td>
<td>24</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>22</td>
<td>27</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>28</td>
<td>31</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>38</td>
<td>34</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>39</td>
<td>37</td>
<td>40</td>
<td>33</td>
</tr>
</tbody>
</table>

Theorist: 4
Pragmatist: 4
Activist: 8
Refractor: 7

Brendan McHugh

May 30, 2013