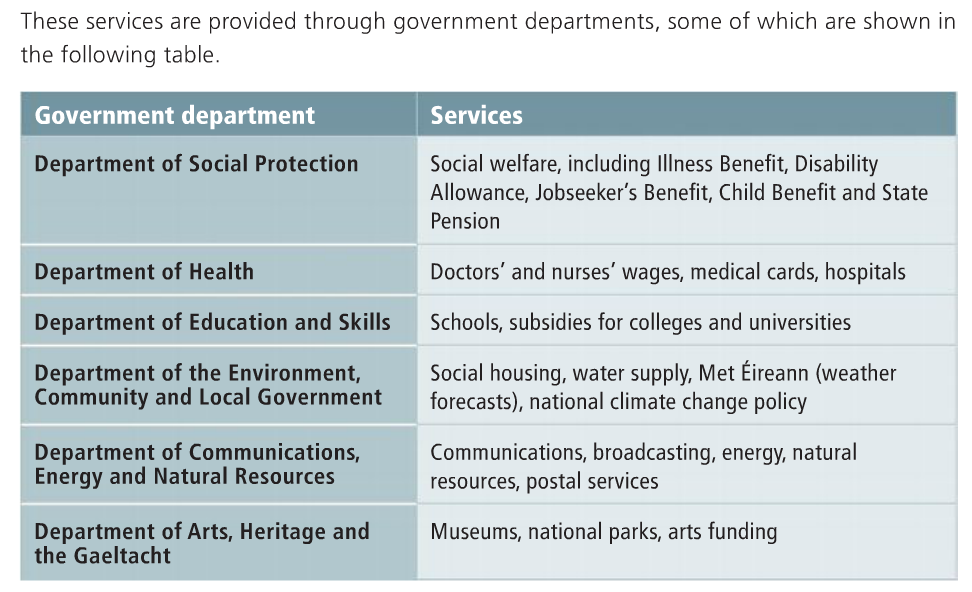
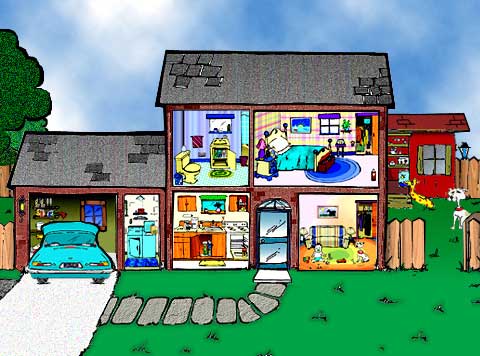
**Ireland: The Government and the Economy**

We have previously learned that Ireland operates in a Mixed Economy. This means that although the private sector controls the production of most goods and services, the government also has some involvement in how the economy works.

**The reasons as to why the government is involved in the Irish economy:**



***The Irish government get involved in our economy for a number of reasons which include:***

1. **To provide MERIT GOODS** /**SOCIALLY DESIRABLE GOODS:** These are goods that are ***essential*** and should be obtained by everyone in an economy are Merit Goods Examples- shelter/education.  

Goods that are not supplied by private businesses as it would be ***unprofitable*** to do so are Socially Desirable Goods. Examples would be parks and libraries.

1. **PROVIDE INCOME:** There are those in the economy who cannot afford an income. There are social welfare benefits such as ***Jobseekers Benefit*** and ***Disability Allowance.*** In Ireland, the government tax individuals and some of this income is then given to the less well off as payment**.**

 Dole Queue in Dublin.

1. **PROVIDE IMPORTANCT SERVICES:** The government provide services that hat are too important to be provided by the private sector- Examples would be Guards and The Army**.**



1. **Make REGULATIONS and PROMOTE FAIRNESS-** Examples would be minimum wage, health and safety regulations. The tax system should also be a fair one, providing incentives in business and wealth distribution from budget

**€10.20 MINIMUM WAGE! As of January 2021.**

1. **FINANCE AND ADVICE**: Government initiatives such as Enterprise Ireland were set up to give investment to new start-ups.

****

**Central and Local Government**

The government is involved in economic decisions at national level through the Dail with the budget and at local level with county council expenditure. The government will want to control the economy in terms of income and expenditure.

At a central level the government is responsible for the national economy in areas such as national roads, electricity systems, An Post, schools, and hospitals.

On a local level, the government is involved in the maintenance of local roads, public housing and libraries.

**How does a government intervene in an economy?**

**Governments around the world use the following policies to run an economy. These policies are:**

1. **Fiscal Policy**
2. **Monetary Policy**
3. **Regulatory Policy**
4. **The Fiscal Policy**

Fiscal policy is the collective term for the ***taxing and spending*** actions of governments. The government will prepare a budget for the coming year outlining its Fiscal Policy, with both Current and Capital Incomes, and Current and Capital Expenditures. In other words, it sets out what taxes and other incomes will be collected, and where the money will be spent.

***Sources of Current Government Income Examples***

* VAT- Tax on goods and services, present rate is 21%
* Income Tax- PAYE/PRSI/USC
* Corporation Tax- Rate is 12.5% on company profits
* DIRT- tax on interest on savings
* Excise Duties (Taxes on petrol, alcohol)
* Customs Duties- Tax on imports
* National Lottery
* Property Tax
* Motor Tax

***Sources of Capital Government Income Examples***

* EU Grants
* Budget Surplus from last year
* Sale of State Assets
* Dividends from state companies
* Borrowings

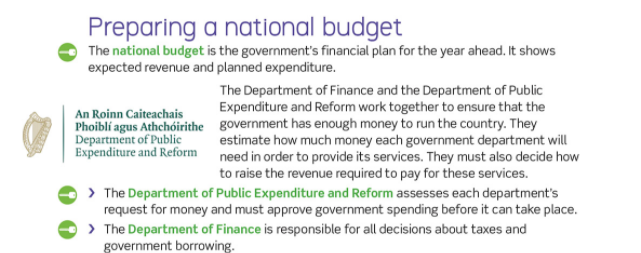
***Sources of Current Government Expenditure Examples***

* Social Welfare Payments
* Public sector salaries
* Day to day running of the health service
* Education
* Debt Servicing –payment of interest on the national debt
* Transport
* Tourism

***Sources of Capital Government Expenditure Examples***

* Building new schools
* Building new hospital
* Buying long term assets for state departments- e.g. new computer for a school

**The Budget**





**Some Key Terminology about the Budget**

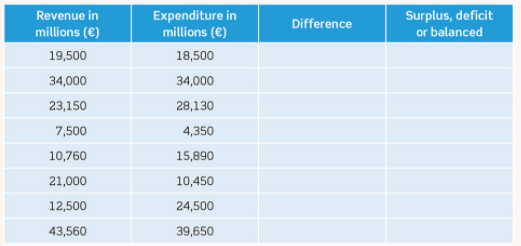
**The Exchequer Balance:** The difference between government revenue and expenditure.

**The National Debt:** This is the total amount of money owed by the central government at any given time.

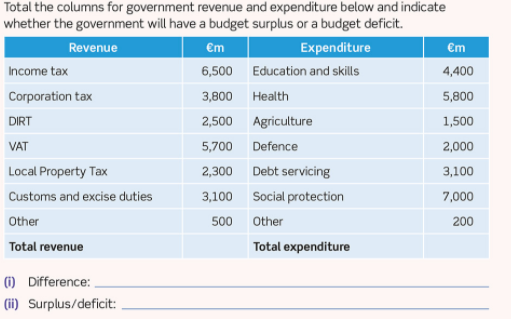
**The General Government Debt:** This is the national debt plus the government debt at any given time.

**Debt Servicing:** This is the payment of interest off the national debt.

*Let’s draw this table into our copies and state whether the answers are a ‘surplus’ or ‘deficit’.*



*Let’s draw and complete this question in our copies.*



*Advice to give based on Budget findings:*

|  |  |
| --- | --- |
| Budget Surplus | Budget Deficit |
| **Reduce tax rates such as PAYE- people will have more money to spend** | **Increase taxes** |
| **Improve Infrastructure such as roads** | **Decrease spending** |
| **Increase spending on public services such as schools and hospitals** | **Borrow form ECB (European Central Bank)** |

**Effects of taxes as part of Fiscal Policy**

Taxes in Ireland can be described as Progressive or Regressive.

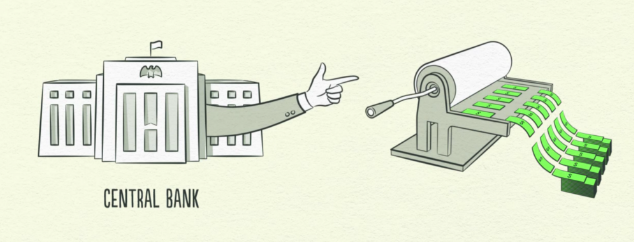
A **progressive tax** takes a higher rate from people earning higher incomes- for example, the PAYE rate in Ireland has different levels the more income you earn

A **regressive tax** takes a higher rate of tax from people on lower incomes. VAT will be an example, as VAT is the same for every consumer so it will be a higher amount of overall income for a lower income earner

**The effects of taxes**

* **Financial-** What happens when the government increase/reduce taxes?
* **Social-** Income from taxes helps fund schools and hospitals. Without these taxes such services may not be provided
* **The Black Market-** Illegal and Unethical
* **Ethical-** Higher taxes on cigarettes, plastic bag tax etc…

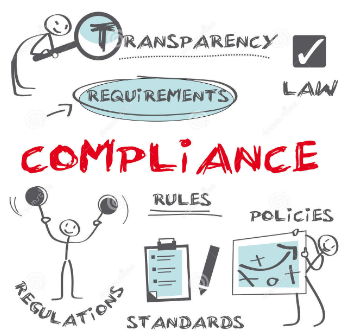
1. **The Monetary Policy**



The Monetary Policy looks to control the supply of money in an economy through the setting of interest rates and the management of money supply (printing of money). The European Central Bank is responsible for the monetary policy of all EU member states, and so they control the interest rates and money supply for Ireland.

The ECB loaned Ireland money to help with the Covid 19 crisis.

1. **Regulatory Policy**



A Regulatory Policy means the rules a government puts in place to control a specific market or population. These laws may be introduced by the Irish Government or the European Union for Ireland to follow.

**For example:**

Regulation on banks and Financial Markets- Due to reckless lending in the past, new laws have been introduced, such as housing deposit requirements which we spoke about numerous times in class

Licence Laws: Taxi drivers, pubs etc.. must have a licence, you must pay your tv licence to make markets competitive

Labour markets: For example discrimination is illegal, minimum wages etc..

GDPR (General Data Protection Regulation)- Across the EU, how an individuals information/data is stored and shared