

# Lessons from Ireland, part one

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Last month I flew to Ireland to help my daughter move back from Trinity College in Dublin. Taking advantage of roads and hotels emptied by the current economic slump, we spent about two weeks exploring the cities and countryside. The scenic vistas, friendly pubs, and sites steeped in Celtic and Norman lore tempt one to draft a travel column. Though a romantic at heart, my economist mind could not help but observe other aspects of Irish life that provide insight into some of the policy changes either occurring or proposed here in the United States.

Understanding the effects of these changes could help officials avoid the bad ones. At a minimum, such awareness can help the rest of us invest more wisely.

## NATIONAL HEALTH CARE

Partly due to that famously damp weather that brings the green hues to the Emerald Isle, my daughter had cause on a number of occasions to seek medical assistance. As a student in an Irish institution, her care was “free.” It also was pretty bad. Appointments were not accepted; she had to wait in long lines to address items, minor and major.

On one occasion, the office closed with her and a dozen others still waiting to be seen. She ambled down the rainy streets to her dorm with a bad fever and severe aches only to get back in line the next morning. Twice the medicines prescribed were ineffective; forcing her to queue up again to give whatever random doctor she saw another stab.

Of course, healthcare is not free anywhere. Doctors and other staff are paid worldwide. Buildings, utilities, and materials all entail costs. In Ireland a large portion of the government budget, and thereby a similarly large part of the huge tax bill, is for healthcare. Such grandiose masking of costs has stripped providers of incentives to provide superior service.

There are a number of problems with our health care system. In a publication with patent and malpractice lawyers in its readership, I will balk on discussing where our costs exceed those in other systems. But service availability, proper

diagnosis, and ultimately expenses are not going to improve by reducing or eliminating competition.

If the folks in Washington, D.C., decide to move toward a more nationalized health system, I can foresee the development of a new tier of very profitable health service companies that will serve the needs of the rich. The majority of firms in the healthcare industry, however, will suffer. Unfortunately, so too will patients.

## MINIMUM WAGE

Wanting to do things locally, we only ate in Irish restaurants. As here, cuisine and prices varied. Some had fare in the \$15 to \$25 range, others in the \$15 to \$50 range. Many were in between, but there appeared to be a price floor below which one could not eat. For information purposes only, I went into a McDonalds. To my surprise, extra value meals which included one sandwich, one regular fries, and one medium drink were in the neighborhood of \$10 or more.

The main reason that prices on just about anything cannot fall below certain levels is the high minimum wage. At 8.65 euro — about \$12 at present exchange rates — it is very difficult to provide low-end products or services and still make a profit. The equivalent of our dollar stores are “2 Euro” stores — selling \$1 worth of stuff for \$2.80. I do not advocate the superiority of any particular level of spending or quality but the abnormally high minimum wage removes an entire tier of options.

Looking at the auto-rescue deals, there is definitely a pro-union bias in the current administration and congress. If the government directs the minimum wage to rise inordinately over the next few years, we can expect discount stores, fast food restaurants, movie theaters and theme parks to suffer. Many will go bankrupt. Should labor costs rise in all other sectors in reaction to the minimum wage increases, profitability and productivity throughout the economy will decline.

Most intelligent observers recognize labor costs as the main reason why the car industry here has been a relative failure compared to foreign

manufacturers for at least three decades. Excessive promises of wages and benefits also are killing many state government budgets, reducing the very services for which governments were formed and forcing tax increases that hurt everyone. Further mandatory shifts of resources to labor without merit will only make things worse, yet such may be on the way regardless.

### **GAS PRICES**

It is widely known that fuel prices in Europe are higher than here. We filled at just over a Euro per liter, or \$5.60 per gallon. Since oil trades fairly efficiently in international markets, the primary determinant of price in Ireland is taxation, not supply and demand. There is a common consciousness on carbon fuels among European governments and our current leadership. With trillion-dollar deficits and a reticence to raise income taxes, increases in levies on fuel are most probable.

In Ireland, smaller cars, robust mass transit, and vibrant town centers reduce the amount one spends on driving. If we do things right, companies involved in infrastructure, stores in well-situated malls, and automakers emphasizing fuel efficiency should prosper. If not, a forced increase in fuel costs will only siphon money from all other activities with no improvement to our energy situation.

### **MUCH TO LEARN**

After about 28 years of a rightward tilt, our government is shifting leftward. Regardless of how we might feel or even openly advocate, big changes lie ahead. There are countries that already have in place many of the new policies propped by those newly in charge here. Some of these efforts can lead to positive change. Others will make things worse. Whether or not we like the changes, as individuals we can prepare, limit damages, and even profit by recognizing observable parallels overseas.

There is much good to learn from the Irish. In Eire, there seems to be a deeper sense of identity, of connection to the past and the land. Especially within the Gaelic community, family bonds are strong and nobility is seen in all work. In the more cosmopolitan areas, economic and cultural vibrancy fueled by a strong emphasis on education seem to have fostered a new generation that seems smarter and more involved than the one coming of age here.

In the area of commerce, I see in Ireland an economy that shows the effects of policies not yet tried here but currently proposed. It would be great if we could learn from others — yet we often do not even learn from ourselves. While there is no reason to get upset, there is every reason in the world to get ready.



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