

Business News

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London economist upbeat on Ireland

LAURA SLATTERY

SPOTTED IN Dublin yesterday: the one overseas economist who doesn't think Ireland is a complete economic mess.

Charles Dumas, chief economist at London-based analyst firm Lombard Street Research, says Ireland should not be "massively pessimistic" about long-term growth. The Irish economy is "not exactly a disaster zone".

In days when everyone from the *New York Times* to al-Jazeera is pausing to highlight Ireland's boom-to-bust horror story, this is as positive as it gets.

Net public sector debt here is much less than it is in Britain, France and Germany, Dumas begins. As far as real buying power goes, measured in terms of purchasing power parity (PPP), Ire-

land is still richer than other western European countries.

The bank guarantee means the chance of a Northern Rock-style crisis of confidence among depositors "doesn't really exist", while the emergency Budget was "a step in the right direction", he believes.

"My point is not so much that there isn't a problem, but that it's a problem that can be coped with," says Dumas, who has worked for JP Morgan, General Motors and the UK Conservative Party. He's about as fond of the euro as the last group.

"Obviously the problem would be much less if you had a separate currency," he says. "The disadvantage of the euro in the current condition is that if you're reducing your income to a realistic level, then you're increasing your debt burden, because the debts are

already fixed in euro."

So should the Government get it over with and nationalise the banks? "The best thing to do is keep your heads down and stop talking about it. Always a difficult thing to do in an Irish context."

Indeed. And in a newspaper context.

"It's not the normal modus operandi of a newspaper, of course, but if you're asking what the best policy is, I think that [the Government has] probably got something reasonably good in place."

The trick is to play for time. Where Dumas, Brian Cowen and "Erin Go Broke" author Paul Krugman agree is that the recovery will be export-led. Happily, Dumas is as bullish about the economies of our trading partners as he is about Ireland, forecasting a recovery in Britain and the US

from the third quarter of this year.

That soon? On Wednesday, the City of London laughed at Alistair Darling's suggestion that the UK would bounce back in 2010. "I'm in the embarrassing position of being less pessimistic than Alistair Darling, which takes some doing," he admits.

Dumas, who has written extensively about the balance of power between China and America, is equally optimistic about the US economy, describing its quantitative easing policy as "a genuinely enlightened piece of work". It is the "balanced-budget obsessives" in Germany who are making the biggest policy blunders.

But overall, things are not as gloomy as the headlines suggest:

"If you read George Orwell, you will find that the 1930s was not like this."