Economic Growth, Development and Population

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Economics

Note 21 • Leaving Cert • 6th Year

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Introduction

If you have ever spoken to your grandparents about what their lives were like when they were young, most likely you learned an important fact about economics.

Material standards of Living have improved substantially over time for most families, in most countries.

Why do most Irish people today enjoy a much higher standard of living than their grandparents and great grandparents? The answer is long run economic growth.

Economic Growth: An increase in real GNP per capita, without any changes in the structure of society

Real GNP per Capita and Economic Growth

The key statistic used to track economic growth is *Real GNP per Capita.* This is Real GNP divided by the population size. We use GNP because GNP measures the total value of an economy's production of final goods and services, which is the same as the income earned by Irish people in a given year. We use Real GNP because we want to separate changes in the quantity of goods and services from rises in the Price Level. We use Real GNP per capita because we want to isolate the effect of changes in the population. For example, other things equal, an increase in the population lowers the standard of living for the average person. There are more people to share a given amount of GNP. An increase in Real GNP that only matches an increase in population leaves the average standard of living unchanged.

Discuss the Economic Effects of an Increase in the Rate of Economic Growth in the Irish Economy

Positive

1) **Increased Employment:** Economic growth will lead to increased demand with more labour being demanded to produce this.
2) **Improved Government Finances:** With a rise in spending – indirect tax revenue rises; more people at work will result in an increase in direct tax revenue; expenditure on social welfare should fall.
3) **Effects on Balance of Payments:** If the increase in the rate of economic growth is export led then the balance of payments position improves.

4) **Improved Standard of Living:** Economic growth will result in increased wealth in the economy allowing us to buy more goods and services / a reduction in poverty / better state services.
5) **Effects on Migration:** If jobs opportunities exist then people who had planned to emigrate may stay here and more immigrants may be attracted to the economy.
6) **Investment Opportunities:** Economic growth indicates a growing economy and this may attract additional investment.

Negative

1) **Inflationary Pressures:** With a rise in the level of economic activity the level of demand- pull inflation will rise.
2) **Use of Scarce Resources:** Economic growth results in an increased demand for scarce resources e.g. oil. The increased demand may involve damage to the environment.
3) **Increased Demand for Imports:** Economic growth increases incomes and spending power and demand for imports may rise, worsening the balance of payments position.
4) **Revised Expectations by Citizens:** With economic growth citizens may alter their expectations of government and expect more services from the state e.g. revised taxes; growth in incomes; wage demands etc.
5) **Uneven Distribution of Wealth:** If the increase in wealth is not fairly distributed then the gap between rich and poor may widen.

Discuss the Economic consequences which a fall in the level of Economic Growth (GNP) may have on the Irish Economy

Positive

1) **Moderation in Price Increases:** With the fall in the level of economic activity the level of demand induced inflation will fall.
2) **Reduction in Labour Shortages:** The fall in demand for goods & services may decrease the demand for labour in certain sectors, easing labour shortages.
3) **Moderation in Wage Demands:** Expectations by workers may decline with respect to pay increases.
4) **Revised Expectations by Citizens:** During an economic boom our expectations grow and may conflict. With falling GNP we may revise

our expectations downwards i.e. expect less investment in infrastructure.

5) **Reduced Demand for Imports:** A reduction in GNP lowers incomes and spending power and demand for imports may fall thus improving our Balance of Payment position.
6) **Restore Balance in the Housing Market:** The fall in GNP will reduce spending power and help reduce inflation in this market, easing it towards equilibrium
7) **Reduced Immigration:** Reduced GNP will lower demand and reduce opportunities for employment, leading to a possible fall in immigration
8) **Less Pressure on State Infrastructure:** Lower GNP results in less demand for scarce resources/ less damage to the environment/ lower incomes will reduce demand for commodities i.e. cars

Negative

1) **Unemployment:** A reduction in GNP reduces demand and this may lead to a reduction in employment.
2) **Strain on Government Finances:** The government may suffer a decline in their tax revenues and an increase in current spending on social welfare will put a strain on government finances.
3) **Reduced Investment Opportunities:** With lower GNP and contracting demand entrepreneurs may have fewer opportunities for profitable investments.
4) **Reduction in Standard of Living:** The fall in GNP lowers average incomes and this will reduce the average standard of living.
5) **Provision of State Services/Infrastructure:** The dis-improvement in state finances will make it more difficult to fund improvements in current state services i.e. the health and education sectors and may make it more difficult to fund major infrastructural developments e.g. our road infrastructure.
6) **Private Sector Workers Targeted:** With falling GNP businesses may rationalise and hence private sector employees may be affected more adversely, than public sector employees.

Outline Possible Restrictions on the Growth of Businesses in the Irish Economy at Present

1) **Limited Availability of Credit:** The banking crisis has resulted in a lack of credit, which is a major obstacle to the expansion of business.
2) **Reduction in Domestic Demand:** The continuing recession has resulted in a major drop in spending resulting in a drop in domestic demand and less opportunities for business.
3) **Restrictive Wage Agreements:** The existence of the minimum wage; the existence of JLC agreements limits the ability of firms to hire labour which restricts the ability of firm to expand/ grow.
4) **Legislative Requirements / Framework:** Permission may have to be obtained from the local authority; state body etc. For example if a person wants to extend a restaurant then certain requirements must be fulfilled.
5) **Merger / Takeover Legislation:** Some businesses wishing to expand may face an investigation under EU (Irish) merger and takeover legislation. The proposed takeover of Aer Lingus by Ryanair was prohibited under EU laws.
6) **High Costs of Production:** Businesses find it difficult to expand due to high operating costs e.g. rates; utility costs; insurance costs; costs of raw materials; and high interest rates makes borrowing more expensive.

Less Developed Countries (LDC's)

We have discussed the importance of economic growth. We have said that it is the reason for the difference in standard of living that we enjoy compared to our grandparents. Looking back at the lives of our great grandparents, their lives appear to be quite spartan. No access to antibiotics, modern medicine like MRI's, X-Rays etc. No internet, no sky digital, no cars. In the case of our great grandparents, no running water. This is an incredibly harsh way of life, but there are many countries today that the situation just described for our great grandparents is the norm. As important as it is for every country to encourage economic growth, it is more important for Less Developed Countries. Before we look at how LDC's can promote growth, we will look at what they are.

Characteristics of LDC's

1) **High Rate of Population Growth:** Rates are very high resulting in economic problems which the government finds hard to resolve.
2) **Famine:** Too frequently famine occurs in LDCs resulting in disease; deaths at early age; high medical costs.
3) **Foreign Debts:** These are very high. Their repayment uses up government revenue and their repayments can cripple the economy.
4) **Uneven Distribution of Wealth:** In some LDC's, a minority may control a large part of the country's wealth resulting in widespread poverty.
5) **Over-Dependence on one Crop:** Some LDCs are over-dependent on one crop. The country may be subject to crop failure and/or a wide variation in export prices .
6) **High Percentage of the Population engaged in Extractive/Primary Industries:** This results in not enough workers in secondary & tertiary sectors, resulting in low standards of living.
7) **Poor Terms of Trade:** LDCs may suffer from low export prices and high import prices and hence the gains from trade are reduced.
8) **Poor Living Conditions / Inadequate infrastructure:** A large percentage of the population live in shanty towns with no water and poor sanitation.
9) **Lack of Capital:** LDCs may lack the capital which is essential for economic development & employment generation.
10) **Low Per Capita Income for the Majority of the Population:** This results in a poor standard of living and a consequent low demand for goods and services.

11) **Poor Levels of Education/Literacy:** This will act as an impediment to economic development, resulting in high unemployment.

12) **Political Corruption:** Some LDCs spend a lot on bureaucratic administration / military spending which can result in civil unrest.

13) **Exploitation by Multinationals of LDCs / Economic Dualism:** This may take the form of low wage rates; lack of care for the environment; control over key exports etc.

Economic Growth V's Economic Development

We have talked about economic growth and said that it is an increase in GNP per capita with no structural change to society.

Economic Growth: An increase in real GNP per capita, without any changes in the structure of society

It just means that there was more stuff made this year than last year.

When discussing less developed countries (LDC's), huge changes have to occur if there standard of living is to converge to that of the First World. More than just economic growth, economic development has to occur.

Economic Development: An increase in GNP per capita, which is accompanied by a fundamental change in the structure of society

Less Developed Countries need economic development. They need to change how they produce their economic goods. Looking back at the characteristics of LDC's, there are a lot of things that LDC's must fix if they are to converge to the wealth of developed nations. They need to control the rate of population growth, stop relying on one crop which would avoid famine. Increase the amount of capital and literacy levels, which would increase worker productivity and allow other workers to work outside the extractive industries. This involves a change in the structure of society. Greater amounts of capital, higher education levels, better roads and technology, this is economic development. One way to look at economic development is that it is the addition of economic growth over a number of years.

Now that we understand the importance of economic development we will look at the ways that the government of LDC's and first world governments could do to promote economic development.

Policies that Government's in LDC's could take to Promote Economic Development

1) **Promote Population Control:** Governments could encourage a reduction in population by various measures including: educating the population [in methods of family planning]; improving the welfare of its citizens; providing better social services for its citizens
2) **Improve Basic Infrastructure:** Provision of clean water & proper sanitation. Development of public housing. Development of roads, power supplies etc.
3) **Promote Land/Agricultural Reform:** Decrease emphasis on one crop - diversify production. Try to spread ownership of land. Improve production methods - modernise the agricultural industry.
4) **Improve Education:** Start with a basic literacy programme to improve literacy skills. Provide technical skills to the population. Provide primary education. Develop the secondary sector and initiate further education programmes.
5) **Incentives for Development of Enterprise:** Try to foster a movement away from a dependency culture and encourage enterprise. Use borrowings to encourage enterprise so as to create sustainable employment.
6) **State Bureaucracy/Corruption; Spending on Arms:** Try to reduce bureaucracy within state institutions. Eliminate corruption - so that aid flows to those who it was intended for. Divert funds from arms spending to more urgent current requirements.

Policies that Government's in Other Countries could take to Promote Economic Development in LDC's

1) **Assist Foreign Aid Programmes:** Governments can continue with aid to help in emergency situations. They can also provide more long term aid to help with the development of the infrastructure / provision of education etc.
2) **Restructure their National Debts:** If the respective national debts were cancelled then these funds would become available for the country to use for development.
3) **Improve Trading Opportunities:** Improve access to markets in the developed world - outlet for their exports. Improve the terms of trade available - higher prices for their exports.

4) **Encourage Multinationals to Set up Firms There:** These could provide the workers with skills . The (fair) wages received could help boost domestic demand and provide tax revenue for the state.
5) **Assist LDC's with Available Technologies:** The provision of simple technologies to the LDC's would help with improving standards of living ; increase productive capacity .
6) **Assist Peace Measures and Promote Political Stability:** Economic development requires a peaceful environment. Foreign countries could provide peacekeeping troops and encourage the movement towards political stability.

Economic Benefits of Economic Development to LDC’s

NOTE: The list below also answers the question “What are the Economic benefits of Economic Growth for LDC’s”

1) **Increased Standard of Living:** Better education, improved health services, increased life expectancy, better housing, incomes should improve.
2) **Employment:** Increased opportunities for employment through increased demand.
3) **Increased Resources Available to the Governments:** Tax revenue will allow the government scope for further investment .
4) **Alleviation of Poverty:** More schools and houses and other essentials services will help reduce poverty.
5) **Investment in Research & Development:** More monies should become available for investment which will increase economic growth.

Economic Costs of Economic Development to LDC’s

1) **Unfair Distribution of Benefits / Widening poverty gap:** The increased wealth may not trickle down to the people who most need it.
2) **Costs to Environment:** Increased pollution, Disfigurement of the landscape; large scale urban sprawl.
3) **Migration:** Large scale movement from rural to urban areas. Loss of traditional values.
4) **Welfare may not Improve:** The increase in wealth may have been brought about through changed working practices ; movement of the population ; crime in areas etc.

5) **<u>Scarcer Resources:</u>** By achieving economic development these countries further use up the scarce resources of the world.

Advantages for the Irish Economy of Increased Growth Rates in LDCs

1) **Increased Exports or Larger Market:** With higher incomes people in LDCs may be able to buy more exports resulting in increased economic growth in Ireland.
2) **Lower Irish Consumer Prices:** LDCs may be able to sell their commodities in Ireland at cheaper prices than domestically produced goods.
3) **Employment:** If exports increase then the opportunities for jobs in Ireland increases.
4) **Less Need for Irish State Aid:** If LDCs experience growth then this may reduce the need for the Irish government to fund development / the government can use this money for something else.
5) **Disposable Incomes in Ireland:** There may be less need to give financial aid and so Irish citizens may have increased disposable income.
6) **Economies of Scale:** If Irish firms increase production to supply the LDCs they may benefit from economies of scale.

Disadvantages for the Irish Economy of Increased Growth Rates in LDCs

1) **Re-location of Companies:** Some MNCs / Irish firms may re-locate to LDCs resulting in unemployment in Ireland.
2) **Greater Import Bill:** If the goods from LDCs are cheaper it may result in increased imports, a higher import bill, job losses in Ireland.
3) **Increased World Pollution:** Economic growth may cause increased pollution with the consequent necessity of Ireland having to address this / increased carbon emissions.

Social Costs of Economic Development

Social Costs: are the cost that society has to pay for the existence of a particular good or service

Examples of Social Costs

1) **Pollution of Air or Water:** When businesses dispose of waste products from the production process in a lake beside it killing wildlife.
2) **Disfigurement of the Landscape:** The construction of roads configures the landscape
3) **Possible loss of Cultural Heritage:** The construction of the M3 through the hill of Tara
4) **Traffic Congestion:** This causes stress, further air pollution and noise pollution
5) **Reduction in Public Amenities:** Communities have less public spaces like parks, playgrounds etc.
6) **Global Warming:** Increased carbon emissions affects global weather patterns

Oil Prices rose steadily last year. State two economic reasons for this development. Give one social cost and one social benefit of the rising prices.

Reasons

1) **Greater Demand for Oil:** Newly industrialised countries such as China, India (BRIC).
2) **Affluence/Economic Growth:** with higher disposable incomes/greater purchasing power, as a result of economic growth there is a greater demand for bigger vehicles, more airline travel driving up oil prices.
3) **Reserves of Oil Declining/ High Cost of Extraction:** Oil is a non-renewable resource.
4) **Green Taxes/Excise Duties:** In many countries a percentage of the price is a form of taxation.
5) **Lack of Production in Middle East**; e.g. Iraq conflict, political uncertainty.
6) **Speculation:** investors are speculating on future prices of oil in world markets.

Social Costs

1) **Environmental Damage:** Oil exploration increases as reserves run low (Irish coastline)/destroying rain forests in order to grow crops for bio fuels.
2) **Loss of Excise Duty:** If people cut back on use of oil, government loses tax revenue.
3) **Increasing Inflation:** The rising price of oil has added to inflationary pressures in some economies and a consequent fall in economic growth.
4) **Rising World Food Prices:** As countries switch production to crops for bio fuels, food prices rise.
5) **Shortage of Food:** particularly in developing nations.

Social Benefits

1) **Environment:** there may be a reduction in pollution as people cut back on use thus helping environment/greater economy in the use of oil.
2) **Public Transport:** If oil costs rise consumers may be more willing to use public transport.
3) **Less Traffic Congestion:** Consumers cut back on use of cars.
4) **Incentive to Source Alternative Sources of Energy:** As oil becomes expensive other sources of energy may become a more viable solution.

What are the Social Effects of Constructing New Roads in Ireland

Social Benefits

1) **Traffic Congestion:** With new roads, traffic congestion in an area may ease.
2) **Less Stress:** With fewer delays, stress for travelers may be reduced.
3) **Shorter Traveling Time:** Better roads may make it possible for shorter commuting time to work or school.
4) **Improvement of Infrastructure:** With the infrastructure improving, attracting new industry may be easier.
5) **Enhanced Environment:** If new roads by-pass towns, it may allow the towns to redevelop and enhance their physical environment to the benefit of all citizens.

6) **Toll Road Revenues:** If the roads are toll roads, this will bring revenue to the government in the form of VAT receipts and eventually ownership may pass to the state.
7) **Improved Safety:** Newer roads may improve safety and help reduce fatalities on the roads.

Social Costs

1) **More Pollution:** Greater noise and increased emissions for those that live close to the new roads.
2) **Increased Payment:** If the new roads are toll roads then the driver must now pay for their use which was free beforehand.
3) **Increase in Land Prices:** Land Prices adjacent to these new roads may increase, causing difficulty to those who may wish to buy land.
4) **Damage to local Environment:** The landscape through which the new roads are constructed may be disfigured.
5) **Disruption to Local Communities:** The new roads may effect the nature of the community life for existing communities.

Population

As we have said, population and population growth can effect economic standard of living. If population is increasing, then GNP has to be increasing at the same rate in order for the average standard of living (GNP per capita) to stay the same. This is not to say that population growth is a bad thing for an economy. The higher the population of a country, the greater the factor of production Labour. This means that an economy's ability to produce goods and services has increased. An increase in GNP is by definition, economic growth. Just keep in mind that economic growth has to increase by more than population growth in order for the average standard of living (GNP per capita) to rise.

There are many different definitions that we have to look at in the study of population, which we turn our attention to, and we will also look at why these definitions are important.

Demography: is the name given to the statistical study of human population

Population: refers to the number of people living in any given area.

E.g. A town, city, country or the world.

Under Populated

Some countries are very easy to attain a visa for. Countries like Australia and Canada are looking for workers to fill their Labour Shortages. The reason that these countries want more labour is that they feel that their National Income per person (GNP per Capita) will rise if more workers are available to produce goods and services. Increased Labour means increased production and better use of society's unused or underutilised resources. Countries whose GNP increases following an increase in population are said to be underpopulated.

Under Populated: A country is underpopulated when an increase in the population causes an increase in the average income per capita under given economic resources.

Over Populated

Certain countries have a very low standard of living (GNP per Capita) and cannot produce enough to meet its citizens needs. This manifests itself as large amounts of poverty. Such countries suffer from high levels of unemployment as there is insufficient demand. These countries would be better off with a reduction in population (emigration). Countries whose GNP increases following a reduction in population are said to be overpopulated.

Over Populated: A country is said to be overpopulated when a reduction in population causes an increase in the average income per capita under given economic resources.

Optimum Population

Optimum Population: is when the average income per capita will fall either following a population increase or a population decrease, under given economic resources

More Definitions

The Birth Rate: is the number of live births per 1,000 people per year

The Death Rate: is the number of deaths per 1,000 people per year

The Infant Mortality Rate: is the number of infant deaths (one year old or less) per 1,000 live births

Life Expectancy: is a statistical prediction of the number of years an average individual of a country will live.

It depends on such factors like

1) Quality of Medical Care
2) Living Conditions
3) War
4) Natural Disasters etc.

It differs greatly between countries

The Fertility Rate: is the average number of chi;dren a woman gives birth to during her reproductive life.

Population Density: is the average number of people living per square kilometre

World Population

Population	Year	Years to add 1Bn
1 Billion	1804	From Start of Humanity
2 Billion	1927	123
3 Billion	1960	33
4 Billion	1974	14
5 Billion	1987	13
6 Billion	1999	12
7 Billion	2011	12

From the table above, we can see that the world population has grown massively and the rate of growth has increased.

Reasons for the rapid growth in world population in recent times

1) **Birth Rate Higher than Death Rate:** As the birth rate exceeds the death rate there is a natural increase in the world's population.
2) **Healthcare:** Advances in health care technology and medicine have led to fewer people dying from illnesses. The availability of antibiotics and access to vaccines has led to the elimination of many diseases such as measles and tuberculosis.
3) **Government Policies:** Better sanitation has led to fewer diseases being spread through water. Development of safe drinking water leads to less contamination. Access to medication for various illnesses.
4) **Increased Agricultural Productivity:** Improved agricultural practices have led to fewer famines, allowing farming to sustain much larger numbers of people. Improved fertilizers and pesticides increase crop yields and reduce crops lost to pests thereby increasing the supply of food.
5) **Increased Life Expectancy:** Advancements in health care and improved standards of living are allowing people live longer.
6) **International Migration:** In the developed regions population growth is largely due to high levels of international migration.

The Effects of an Increasing Population on the Irish Economy

1) **Larger Domestic Market:** With a rising population the demand for goods and services within the country grows. This may lead to increased opportunities for investment. Firms who increase output may benefit from economies of scale.

2) **Pressure on Infrastructure:** If the population lives in under-populated areas then services will be more fully utilised. Greater pressure is exerted on the current infrastructure of the country. E.g.schools,hospitals,
transport etc. An increase in population should lead to an increase in planning by both central and local authorities for future development of infrastructure/provision of services.

3) **Dependency Ratio:** If increased numbers are in the labour force it will lower the dependency ratio and lead to increased tax revenues for the state.

Or

If the increase in population is due to an increase in the birth rate then the dependency ratio will increase requiring additional state finances.

4) **Government Employment Strategy:** The numbers joining the labour market may be greater than anticipated making it important for the government to prioritise the creation of employment.

5) **Land Values:** As population density increases, available land becomes scarce and hence the price of land may increase.

6) **Government Finances:** If population increase is due to increased birth rates then increased spending on services is required i.e. education, health etc. If the increase in population is due to an increased labour force then tax revenue will increase i.e. VAT, income taxes etc. If the increase in population leads to increased unemployment then government current expenditure will increase / social welfare payments.

Emigration and Immigration

We have looked at how changes in population can effect the level of GNP per Capita. We will now look at the different factors that effect Emigration and Immigration.

Push Factors That Cause People to Leave Ireland

1) **Economic Recession in Ireland:** This has resulted in increasing unemployment and with fewer available job opportunities people are emigrating / FDI is relocating to low cost economies.
2) **Wage Rates in Ireland:** Wage rates in Ireland are falling. This means that the standard of living is declining and so people are seeking a better standard of living abroad.
3) **Rising Levels of Taxation in Ireland:** The introduction of the various income levies / new taxes have resulted in a reduced standard of living. Those people who are mobile may seek a higher standard of living abroad.
4) **Prospects for Economic Recovery:** Some people are concerned for their future in Ireland and see their prospects as poor. They are seeking opportunities for a better lifestyle elsewhere e.g. Canada / Australia / USA.

Pull Factors That Cause People to Leave Ireland

1) **Job Opportunities Abroad:** Those people who can are emigrating to find available jobs in those countries where vacancies exist e.g. Canada; Australia.
2) **Develop Skills Abroad:** Some skilled workers, as part of their professional development, emigrate to develop their skills.
3) **Better Standard of Living:** The possibility of better pay rates, lower taxes and a better lifestyle is attracting younger people to emigration.
4) **Existence of Irish Networks Abroad:** Some people are emigrating because the outlook abroad is more positive and the existence of Irish communities makes emigration easier.

Negative Consequences of Emigration for the Irish Economy

1) **Higher Dependency Ratio:** The active population is probably leaving leading to higher dependency ratio and the need for the government to finance this increasing dependent population.

2) **Opportunity Costs:** The state loses out on its investment in the education/training of these citizens. Ireland may be educating workers for foreign countries.
3) **Loss of Skills within the Economy:** Lose those workers / graduates who have acquired skills which are the skills needed to help the economy towards economic growth. The "brain drain" may deprive the economy of much needed skills.
4) **Smaller Domestic Market:** As the domestic market contracts there may be reduced opportunities for investment by businesses / entrepreneurs.
5) **Upward Pressure on Irish Wage Levels:** The highly trained and skilled workers are more mobile thus they leave. To try to retain these workers firms may have to increase wage levels.

Positive Consequences of Emigration for the Irish Economy

1) **Unemployment Reduced:** Those people who emigrate may have been unemployed if they stayed in Ireland. This reduces the strain on the government finances to fund increasing social welfare payments.
2) **Emigrants Returning to Ireland:** Emigrants when they return may help those companies involved in tourism such as airlines, pubs etc. Emigrants may also send home finance to their families and in the long term return home with newly acquired skills.
3) **Export Opportunities:** The people who emigrate may be willing contacts for Irish exporters who may be anxious to find markets abroad. Irish emigrants may set up business providing jobs to new emigrants, improving skills and providing an outlet for Irish exporters e.g. O'Neill's GAA jerseys.
4) **Demand for State Services:** With a declining population the demand for state service may decline e.g. schools, health care, transport etc

The reasons why Ireland is now experiencing a high level of net outward migration

1) **Foreign Nationals Returning to their Home Countries:** With the decline in the economy many foreign nationals who came to Ireland for work in the 'boom' period are now returning home because of the lack of employment opportunities and the high cost of living in Ireland.

2) **Economic Recession in Ireland:** This has resulted in increasing unemployment and with fewer available job opportunities people are emigrating. Foreign Direct Investment (FDI) is relocating to low cost economies.
3) **Wage rates in Ireland:** Wage rates in Ireland are falling. This means that the standard of living is declining and so people are seeking a better standard of living abroad.
4) **Prospects for Economic Recovery:** Some people are concerned for their future in Ireland and see their prospects as poor. They are seeking opportunities for a better lifestyle elsewhere e.g. Canada / Australia / United States.
5) **Job Opportunities Abroad:** Those people who can are emigrating to find available jobs in those countries where vacancies exist e.g. Canada, Australia etc. Some skilled workers, as part of their professional development, emigrate to develop their skills.
6) **Rising Levels of Taxation in Ireland:** The introduction of the various new taxes have resulted in a reduced standard of living. Those people who are mobile may seek a higher standard of living abroad.

Positive Economic Consequences for a Country Experiencing Increased Immigration

1) **Increased Demand for Goods and Services:** The level of demand for goods and services will increase leading to greater opportunities for businesses.
2) **Improved Dependency Ratio:** If immigrants are mainly in the working age group then dependency ratio decreases.
3) **Reduction in Labour Shortages:** Immigrants may fill those vacancies, which exist in the labour market and help ease the pressure on wage rates.
4) **Greater Utilisation of Services:** If immigrants locate in low density populated areas, then services will be more fully utilised.
5) **New Skills within Society:** The economy may benefit from new skills/ traditions helping society become more tolerant, efficient and competitive.

Negative Economic Consequences for a Country Experiencing Increased Immigration

1) **Pressure on Provision of State Services:** With an increasing number of immigrants there will be pressure on the government to provide/ improve services available to immigrants.
2) **Drain on State Finances:** The need to provide immigrants with benefits will put further pressure on government finances.
3) **Exploitation of Immigrants:** If immigrants are not adequately protected then they may be forced to work/live in poor conditions and accept low levels of pay
4) **Increased Dependency Ratio:** If immigrants are mainly in the non-working age group then the dependency ratio increases.
5) **Racism:** An increase in immigration may lead to racism within a country requiring greater policing / legislation.

Wealth and Dependents in an Economy

All through the course, we have said that it is the quantity and quality of goods and services that are produced for consumers which defines the wealth of a nation. The more goods and services that are produced, the richer the country. There are those in any economy that contribute to the wealth of a country. They do this by providing factors of production which produce goods and services. There are those which do not contribute to the wealth of a country. There are a number of possible reasons for this. Firstly, they might be too young to work, in full time education or are retired. Those in an economy that do not provide factors of production in the market are not currently contributing to the wealth of a nation. Those that are not within the age range to contribute to the economic prosperity of society are known as “Dependents”.

The Less dependents in an economy, the better. The Dependency Ratio is a mathematical way of measuring those whose age prohibits them from working; to those whose age does not prohibit them from working. It is calculated using the following formula.

$$\textbf{Dependency Ratio} = \frac{\text{Number of People aged under 15 and over 65}}{\text{Number of People aged between 15 and 65}}$$

An Aging Population

The average lifespan of Irish people is increasing. There are many reasons for this. Namely, better medicine, education regarding food, higher GNP per Capita etc. We will now look at the economic effects of a "Greying Population" on the Irish economy.

The Economic Effects of an Aging Population on the Irish Economy

1) **The Participation Rate Falls:** As more people reach retirement age, the supply of labour may be affected. Some may wish to work part-time. Some may retire.
2) **Reduced Mobility of Labour:** As people get older they are less likely to move to a different location seeking work.
3) **Possible Increased Tax Burden:** With larger numbers of people over 65 the dependency ratio may increase, resulting in the need for higher taxes in the working population.
4) **Increased Government Expenditure:** The government may spend a greater proportion of its revenue on the provision of services for the elderly such as medical care, free transport etc.
5) **Pressure on Provision of State Pensions:** The government may encourage individuals, through tax incentives, to avail of private pensions in order to reduce the pressure on the government to provide state pensions.
6) **Changing Pattern of Demand:** Demand for certain goods and services required by older people will increase e.g. nursing homes; medication etc.

Census

Census: A census is the procedure of systematically acquiring and recording information about the members of a given population.

The Economic Uses of a Census

Government

1) **Infrastructural Requirements:** It helps the government plan for the construction of future infrastructural requirements e.g. how many primary schools; hospitals etc. are required.
2) **Provision of Essential Services:** It indicates where the additional services are required and what the manpower requirements are to ensure those services are provided e.g. numbers of teachers; doctors etc.

3) **Pension Planning:** The government can predict more accurately what provision it should make for pensions in the future.
4) **Demographic Changes:** It provides information on demographic changes nationally. On a regional basis it helps the government plan for the future needs of the regions.
5) **Qualifications of Workforce:** It provides details of the educational qualifications; levels of training attained by the workforce which can help the government plan for future developments in education and training services.

Business

1) **Future Levels of Consumer Demand:** Producers can predict more accurately future demand for their goods and services.
2) **Population Data:** Detailed information on the population such as age, gender, marital status, number of children, religion etc. is provided – and so business firms have detailed information on their markets.
3) **Labour Market:** The data can be used by business firms to determine if they can meet their future labour requirements.