

Ireland's housing bust is drawing increasing attention from the international media. Some people here are worried that reports of the housing slump and accompanying recession are damaging the country's reputation abroad, especially among executives of US multinational companies.

This strikes me as nonsense.

The downturn mainly reflects our housing woes; it's not that we raised the rate of corporation tax or suffered a sudden loss of productive skills and technical knowledge. Americans know all about housing booms and busts; their own economy is in recession because of a housing crash. They are no more likely to lose faith in Ireland Inc. than they are in their own country.

That consumer spending here is stalling is largely irrelevant to our ability to win new investment projects from abroad. US multinationals use Ireland as an export platform to the rest of Europe. It is the market of 500 million people in the EU that attracts them, not the puny Irish market.

In truth, US executives are likely to welcome falling house prices here. Scandalously expensive housing has pushed up wage demands and the economy's cost base. The American Chamber, which represents US companies located here, warned in January 2005 that urgent action was needed to tackle "our rising cost base". Why were these warnings ignored? Why were no policy actions taken to deflate the house-price bubble that has so damaged our international competitiveness?

The flip side is that efforts by the housing industry, estate agents and bank economists to talk up the property market threaten our prospects for new FDI projects. It is high time these groups put the national interest before their own and stop trying to prevent house prices falling to more sensible levels.