

# **After the Party, the Hangover?: An Analysis of ‘Post-Celtic Tiger Ireland’ in the Light of the February 2011 Election\***

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‘It’s only when the tide goes out do you know who’s naked’

## **Introduction**

I bring you today a stereotypical Irish tale of woe, of bitterness, of betrayal, high drama and, as should also be the case, of hope, renewal and the possibility of redemption (if such evocative terms can be applied to the dark arts of politics). Today I offer you a more general and provocative analysis, than would usually be the case if I were presenting an analytical and academic paper, to make best use of the short time and encourage some lively questions at the end ... and hopefully be somewhat more entertaining (if such a term can be applied to academic work). This is also due to the fact that the election was on 25 February and the new Fine Gael/Labour coalition government only agreed its ‘Program for Government’ on Sunday this week, so what I’m offering is a necessarily partial overview of a still dynamic process.

## **Context of the 2011 election**

The election of February 2011 was dominated by the International Monetary Fund/European Central Bank bailout of November 2010, the state of the public finances, the ongoing Irish banking crisis, and the disastrous state of the economy with rising unemployment, emigration and collapsing international competitiveness. After years of phenomenal economic growth (at least as measured by orthodox economic measurements such as gross domestic product (GDP) and foreign direct investment), known as the ‘Celtic Tiger’, during which a bloated construction industry accounted for a quarter of GDP and Irish banks sank nearly a third of their lending in construction projects, Ireland has entered a ‘post-Celtic Tiger’ era.

What most marks out this election from any one in living memory is that parties could make very few promises about improvements in living standards. Constrained by an EU/ECB/IMF package (officially termed a ‘Program of Support’) that endorses a severe four-year austerity plan to reduce the state’s budget deficit to three per cent of GDP by 2015 from 32 per cent in 2010 (this figure includes estimates of what it will

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\* This paper was presented as a lecture in the Senate Occasional Lecture Series at Parliament House, Canberra, on 11 March 2011.

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cost the state to fix the banking sector; when these costs are excluded the deficit was over 11 per cent of GDP last year and is expected to fall to around 9.5 per cent in 2011), all parties knew that whichever of them formed the next government, their freedom of action on economic, fiscal and taxation policy will be severely curtailed.

All parties knew that the incoming government faced two problems of a magnitude never previously faced by any new Irish government. The first is the collapse in state revenues since 2008. In 2010, tax receipts were down to €1.7bn, from €3bn in 2009 and €4.7bn in 2008, while the exchequer deficit grew from €2.7bn in 2008 to €4.6bn at the end of 2009 (although it had declined again to €1.8bn by the end of 2010). Compounding this unsustainable fiscal situation is the huge drain on state finances caused by the crisis in almost all of the country's banks. Already, by the end of 2010 Anglo Irish Bank, which was the most overextended of the Irish banks and was nationalised in 2009, had absorbed just under €30bn of state cash, while the estimate of the cost to the state of salvaging the whole banking sector was €50bn. The uncertainty surrounding the final cost, however, was illustrated in the middle of the recent election campaign when the government-appointed chairman of the Anglo Irish Bank, former Fine Gael leader and former Finance Minister Alan Dukes, said the system could need an additional €50bn. The International Monetary Fund (IMF) in mid-2009 predicted a decline in Irish GDP of about 13.5 per cent between 2008 and 2010, and said the Irish crisis 'matches episodes of the most severe economic distress in post-world war II history'.<sup>1</sup> The figures are truly eye-watering.

Finally, a telling indication of the context for the election can be found if one logs onto the main Irish Government website, [www.gov.ie](http://www.gov.ie). On this page in the featured links section we find the following three links—the 2010 austerity budget, [keepingyourhome.ie](http://keepingyourhome.ie) and [losingyourjob.ie](http://losingyourjob.ie). Enough said.

### **And the results were...**

Fianna Fáil suffered its greatest electoral defeat in its history and brings to an end the unrivalled track record of one of the most successful parties in Europe (with the exception of that other great electoral machine, the UK's Conservative Party). They have been humbled into now being the third largest party, behind Labour and just ahead of Sinn Féin. Mary O'Rourke, long-time Fianna Fáil representative, former minister and aunt of former Fianna Fáil Minister for Finance and would-be leader of that party, Brian Lenihan (and aunt of his brother, and former minister Conor Lenihan) said:

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<sup>1</sup> International Monetary Fund (IMF), *Ireland: IMF Country Report No. 09/195*. Washington DC, IMF, 2009, p. 28.

It is just nonsense for Fianna Fáil members to continue saying that it was the hard economic decisions that has rendered us to this paltry 20-seat membership of the 31st Dáil. Of course, the difficult decisions had an effect; but it was not the only reason. The real reason was the almost 24 years, from 1987, of government by Fianna Fáil.<sup>2</sup>

One cannot underestimate the significance of Fianna Fáil's demise. Not only has the party rarely been out of power since first entering government in 1932 but it has never been out of power for more than one election. Fianna Fáil saw itself as not just one among many political parties, but as a movement of, by and for the Irish people and not just a political party, that ruled the Irish state as of right. A party once used to getting between 40 and 50 per cent of the popular vote and winning enough seats to form government on its own (at least until the late 1980s), in the recent election Fianna Fáil received a mere 17.5 per cent of the popular vote and struggled to translate this into seats, finishing with 20 seats in the 166-seat Dáil or lower house. They were prepared for this and know long in advance that they were set for a major meltdown. When the registration of candidates for the election closed in early February, one fact stood out above all others—for the first time that anyone could remember Fianna Fáil was deliberately running too few candidates to get a majority in the Dáil, even if all were to win. This was a damage limitation election for them, with their strategy to only place candidates in constituencies where they were likely to win or stabilise their political base. It was a 'triage election' for this once successful party—after all it was fighting for its political life. It has survived, but as a shadow of its former self and is reduced to being, in the words of another defeated female former Fianna Fáil minister, Mary Hanafin, 'a male, rural and small party', with no representation in Dublin the capital, and no female representatives.<sup>3</sup>

While Fine Gael had its best election ever, they do not win an overall majority, against a thoroughly discredited Fianna Fáil and the most hated government in the history of the Irish state. Fine Gael, so long the second largest party in Irish politics (always the bridegroom never the bride), and broadly Christian Democratic/centre-right in its identity, has finally had its moment in the sun. It has emerged as the largest party for the first time in its history, with 76 seats and 36 per cent of the vote. It was a major victory for its leader now Taoiseach (prime minister) Enda Kenny who survived a major heave against him by some of his frontbench team less than a year ago. Given the inexorable tsunami against Fianna Fáil, much of it flowing towards

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<sup>2</sup> M. O'Rourke, 'Days of political hegemony well and truly over for FF', *Irish Independent*, 6 March 2011, available at [www.independent.ie/national-news/elections/latest-news/days-of-political-hegemony-well-and-truly-over-for-ff-2567705.html](http://www.independent.ie/national-news/elections/latest-news/days-of-political-hegemony-well-and-truly-over-for-ff-2567705.html).

<sup>3</sup> Donal O'Donovan, 'Hanafin considers flipping to Seanad', *Irish Independent*, 8 March 2011, available at [www.independent.ie/national-news/hanafin-considers-flipping-to-seanad-2569495.html](http://www.independent.ie/national-news/hanafin-considers-flipping-to-seanad-2569495.html).

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Fine Gael, it could be suggested that his finest political moment (since elected to the Dáil/Irish Parliament in 1975, and since becoming leader of his party in June 2002), was not during the recent election campaign (where any balanced assessment would note that he failed to connect with the electorate and was less impressive than other party leaders in debates), but rather in his ruthless and effective political skills demonstrated in that aborted internal party coup early last year. Having been ‘plucked from obscurity’, in the words of one journalist, to become leader in 2002, he now holds the highest office of state, commands an unprecedented coalition majority in the Dáil, and has one hell of a political job to do.

The Labour Party, although its leader, Eamon Gilmore, was consistently the highest rated leader of any political party before and during the campaign, did not come close to delivering on some of the hyperbole of ‘Gilmore for Taoiseach/Prime Minister’. The social democratic Labour Party, like Fine Gael, has had its most successful election ever, with 19.5 per cent of the vote, winning 37 seats. It has now agreed a Program for Government with Fine Gael making the Labour Party leader Tánaiste, or deputy prime minister, and also will take the foreign affairs portfolio.

The Green Party has been destroyed—while perhaps a little unfairly the electorate viewed them as ‘being in the way’ or ‘in the wrong place at the wrong time’ as part of the coalition government since 2007. They were simply standing between the electorate and their desire to give Fianna Fáil a good kicking. Not only have they lost all six of their seats in the Dáil, but now have lost state funding as their national support fell below two per cent. Their main priority now, as Green leader, John Gormley has noted, is to not go the way of another small coalition party—the Progressive Democrats—who while curiously having had a disproportionate influence on Irish politics during the Celtic Tiger years (as coalition partners with Fianna Fáil), are quickly fading into political memory, having wound themselves up as a viable political force. At this election when the Greens would have been certain to pick up extra seats had they remained in opposition, they faced the anger of the electorate for having been in government when the economy collapsed. Speaking as I do in Australia, there may be some tough (and hopefully) valuable lessons in the story of the Irish Greens, for their counterparts here in Australia in relation to being the junior member of a coalition government in uncertain economic and financial times. Be careful of what you wish for perhaps, or perhaps a version of *The Clash* song, ‘I fought the electorate and the electorate won’?

Sinn Féin had their best election yet, tripling its representation to 14 seats, and are now the fourth largest party, just behind a chastened Fianna Fáil on 20 seats. It exceeded most expectations and stood on a platform of defaulting on bondholders and renegeing on the EU/ECB/IMF bailout of last November. Both governing parties, Fine

Gael and Labour had signalled they would not enter into coalition with Sinn Féin, ostensibly due to policy differences, which do exist without a doubt, but also due to the continuing ‘whiff of cordite’ from Sinn Féin and its connection with violent republicanism and the IRA (Irish Republican Army). At this stage, Sinn Féin is still too politically toxic for both Fine Gael and Labour to consider as a coalition partner, so this time it was clear that Sinn Féin would have to have a period in purdah and continue its presence on the backbenches in opposition.

‘The left’, a catch-all term I use (following the media in Ireland) to describe the return of left-wing representatives such as Joe Higgins of the Socialist Party (joined by one other Socialist Party TD<sup>4</sup>), the emergence and arrival of new left-wing groupings—the Workers and Unemployed Action Group (one TD) and People Before Profit (two TDs). These three groupings have come together to form the United Left Alliance (ULA). While Labour’s performance signals a shift to the left in Irish politics, perhaps more dramatic has been the performance of groups to the left of Labour. Chief among these is Sinn Féin, already sharing power in Northern Ireland. Adding these victories to those of left-wing independents gives at least an additional 10 to 12 left-wing members of the incoming Dáil. Some of these are already speaking of establishing a new left-wing party, further left to Labour. It is significant to point out that more voters switched to Labour, Sinn Féin, ULA and left independents than Fine Gael, indicating the emergence of a more normal/European-style left–right division in national politics. In a brilliant turn of phrase during a leadership debate in 2007, Michael McDowell, leader of the Progressive Democrats described the Labour Party, Sinn Féin and the Greens as ‘the left, hard left, and the left-overs’. But while the Greens were comprehensively defeated in 2011, his own party is no more and the left’s political revenge (best enjoyed cold) came through the massive boost it received at the ballot box.

Independents have also done extremely well in this election—whereas there were only six independent TDs in the last Dáil, there are now 15. Also of interest is that for the first time there are some independents who stood on a right-wing platform, going against the usual trend for Irish independent members of parliament to be either from the left, from the ‘political gene pool’ of either Fianna Fáil or Fine Gael or standing on a local issue such as saving a local hospital.

Some other notable features of the outcome of the election are that a majority of TDs (84) are completely new members and were not members of the previous Dáil/parliament, and this election also saw the largest number of female TDs (25) elected, although this only represents 16 per cent of all TDs. You have to go back to 1918 (when the Irish Parliamentary Party was routed by Sinn Féin) for an election of

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<sup>4</sup> TD (Teachta Dála), member of the Irish lower house.

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similar historic significance and the political alignment that this election represents (though with qualifications as I hope to suggest).

**Outcome: new government, same austerity**

*Irish Independent* columnist, Gene Kerrigan was not completely wide of the mark when he wrote recently (Sunday 6 March), that

the incoming Government will be an EU/IMF/FG coalition. The attachment of Labour or someone else was always about taking the bare look off it. The de facto Minister for Finance will be a taciturn bureaucrat from the European Central Bank.<sup>5</sup>

The new coalition government will continue the austerity policies of the previous administration, agreeing on a compromise on the target for slashing the deficit to three per cent of GDP as required under the conditions of the IMF/ECB bailout. The parties said they would now aim to make the cut by 2015.

Both parties have been out of office for 14 years and will be keen to hit the ground running in terms. They have agreed a five year Program for Government and have branded their coalition as ‘Government for National Recovery’.<sup>6</sup> As the introduction to the Program for Government states:

Our country deserves a fresh start from the failed politics of the years past. It also deserves a new hope that a new Government guided by the needs of the many rather than the greed of the few can make a real, positive difference in their lives ... The overall aim of renegotiation must be to secure a Programme of Support and solution to the banking crisis that is perceived as more affordable by both the Irish public and international markets, thereby restoring confidence, growth, job creation and the State’s access to affordable credit from private lenders. The Parties to the Government recognise that there is a growing danger of the State’s debt burden becoming unsustainable and that measures to safeguard debt sustainability must be urgently explored.<sup>7</sup>

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<sup>5</sup> G. Kerrigan, ‘Forget the election, change really is afoot’, *Irish Independent*, 6 March 2011, available at [www.independent.ie/national-news/elections/comment-analysis/gene-kerrigan-forget-the-election-change-really-is-afoot-2567595.html](http://www.independent.ie/national-news/elections/comment-analysis/gene-kerrigan-forget-the-election-change-really-is-afoot-2567595.html).

<sup>6</sup> Fine Gael/Labour, Programme for Government, 2011, available at [www.finegaele.ie/upload/ProgrammeforGovernmentFinal.pdf](http://www.finegaele.ie/upload/ProgrammeforGovernmentFinal.pdf), p. 1.

<sup>7</sup> *ibid.*, pp. 3–4.

Some commentators have pointed out that there is an ‘alarming’ lack of content in the Program for Government. As one put it:

Given that so much of the campaign was fought over target dates and breakdowns of taxation and expenditure (but not, unfortunately, investment which is a major, if not the primary, element of fiscal consolidation), this lack of content suggests a lack of agreement between the parties. This is not the best of starts.<sup>8</sup>

The language of the Program for Government on the treatment of unguaranteed senior bank bondholders also contains a large element of what I think can be termed ‘constructive ambiguity’. There is talk in the document of a ‘comprehensive special resolution regime for dealing with bank insolvencies’, and to consider whether new legislation ‘may be necessary to extend the scope of bank liability restructuring to include unsecured, unguaranteed senior bonds’.<sup>9</sup> However, comments by Prime Minister Kenny, speaking at the fringes of a European People’s Party meeting in Helsinki last week, seemed to indicate that the prospect of imposing losses on senior bondholders was not on the agenda. Despite the popularity such a move would doubtless bring and perhaps the moral and economic appropriateness of ‘burning the bondholders’, it does appear that the pain will not be shared between the bondholders and the Irish taxpayer. Added to this is that the dominant party, Fine Gael, is committed to not raising taxes, the inevitable logical outcome of which is that it will be cuts in public services and welfare which will characterise the government’s strategy for fiscal adjustment, and has been at pains to point out that the Irish people have signed up ‘years of harsh medicine’. Pain upon pain indeed.

‘Ireland’, declared George Osborne in 2006, ‘stands as a shining example of the art of the possible in long-term economic policymaking’.<sup>10</sup> Who is George Osborne? George Osborne is now Chancellor of the Exchequer in the UK Conservative–Liberal coalition government. And in his new position, he’s setting out to emulate the austerity policies Ireland has implemented after the bubble burst. Indeed as Paul Krugman<sup>11</sup> has pointed out, supporters of neoliberalism on both sides of the Atlantic spent much of the past year hailing Irish austerity as a resounding success. ‘The Irish approach worked in 1987–89—and it’s working now’ opined Alan Reynolds of the

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<sup>8</sup> M. Taft, ‘Programme for Government 1: The unpainted fiscal landscape’, 7 March 2011, <http://notesonthefront.typepad.com/>.

<sup>9</sup> Fine Gael/Labour, op. cit., p. 5.

<sup>10</sup> G. Osborne, ‘Look and learn from across the Irish Sea’, *Times*, 23 February 2006, available at [www.timesonline.co.uk/tol/comment/columnists/guest\\_contributors/article733821.ece](http://www.timesonline.co.uk/tol/comment/columnists/guest_contributors/article733821.ece).

<sup>11</sup> P. Krugman, ‘When zombies win’, *New York Times*, 19 December 2010, available at [www.nytimes.com/2010/12/20/opinion/20krugman.html?\\_r=1](http://www.nytimes.com/2010/12/20/opinion/20krugman.html?_r=1).

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right-wing/free market Cato Institute in America in June 2010. Well, with friends like these who needs enemies?

### **The compromising of Irish sovereignty**

It may very well be that Fianna Fáil, despite their massive defeat, are relieved they will not be the ones to continue to implement painful, externally imposed austerity measures, public sector cuts, reduction in the minimum wage etc., and preside over a strange political landscape, where privately generated risk and debt (generated courtesy of some Irish banks, such as Anglo Irish and Bank of Ireland and property developers) has been transformed into sovereign debt now owned by the Irish people and owed to the ‘colonial power’ in Ireland, no, not Britain, but the ECB, the IMF, international money markets and the dreaded bank bondholders. The latter (especially the mysterious ‘senior bondholders’ are now routinely used to scare Irish children, since it is clear that this younger, techno-sophisticated generation is immune to the usual but old-world charms of the boogiemán) now occupy centre stage in Irish politics (no doubt not something they would normally seek) in that the election campaign and post-election negotiations were (in part) about how the Irish Government could restructure the interest payments on the bailout package and how it could force/cajole/encourage senior bondholders of Irish bank debt to ‘share the pain’ with the Irish people. Just like wonderfully strange terms such as ‘sub-prime mortgages’, NINJA mortgages (that’s No Income, No Job or Assets to you and me), credit default swaps, collateral debt obligation (the cool sounding CDOs), and all the other wonderfully named menagerie of the flora and fauna of the deregulated, securitised financial world, ordinary citizens are getting a crash course in, well, crash economics and becoming more acquainted with bond—not James Bond, but senior bondholders.

It is important here to consider that alongside the IMF/ECB 90 billion euro bailout in November 2010, was the September 2008 decision by the previous government to issue a blanket bank deposit guarantee scheme, which effectively transformed private debt into public debt. Whether this is to be viewed as an act of political alchemy or brute necessity depends on one’s political perspective. But as a long-time student of the dark arts (and sometimes bright possibilities) of politics, I can only state my amazement of how in Ireland (as in the United Kingdom) the solution to private bank/developer debt is public sector cuts, rather than private risk takers ‘taking the hit’ as it were. It is like a gambler who upon losing his bet, then seeks not only sympathy but a full refund. But in the context of some banks ‘being too big to fail’ (a mantra that characterised government responses to the global financial crisis around the world to justify what is in effect the socialisation and public underwriting of risk and cost, while still privatising profit) we are in a world best characterised by the following (less well known) adage—if you owe someone a hundred euros it’s *your*



problem, if you own them 10 billion euros, it's *their* problem. As former Labour Party leader Pat Rabbitte (and now Minister for Communications, Energy and Natural Resources) put it forcefully in the Dáil debate over the bailout package and associated four-year austerity budget in November last year, 'Whatever emerges from the discussions with the IMF, the talks had better ensure that this is the last bailout, *unless the Government is going to permit the banks to cannibalise the State*'.<sup>12</sup> So along with alchemy we can add cannibalism to the political lexicon for living in a time of austerity.

There is also a need to focus some attention on the European Central Bank and its part in the failure of the Irish banking system. The banking analyst Peter Mathews (now a Fine Gael TD) argued in November 2010, Irish negotiators 'had a duty to clearly demonstrate ... that the ECB had been 50 per cent culpable in its failure in regulation and supervision of Irish banks for four years up to 2007–2008' and knowingly advanced loans to the Irish banks when it was obvious that they were heading for insolvency.<sup>13</sup> It is to be hoped that Mr. Mathews is part of the government team sent to Brussels to re-negotiate and re-schedule the bailout.

While of course I speak here merely as one ignorant of the Olympian perspective and superior knowledge required to understand the complexities of modern high finance—that is, I am not a 'master of the universe', merely a minion from the university—it is truly amazing to see how public opinion has been managed, and expectations lowered so that a) this alchemy can be not only rendered acceptable and necessary, but b) people are thankful that perhaps the cuts (always presented as 'necessary', 'inevitable' (and the result of the previous lot's mismanagement) may not be as bad as expected. Progress in such times of alchemic austerity (to coin a phrase) is measured by how less bad things are not how better they are or could be. And so in such times, in a rather dramatic phrase, people vote for the least worst option, tuberculosis over cancer as it were. An example of politics in a time of austerity is the difference between Fine Gael and Labour about how to tackle the public finances. Fine Gael were of the view that the way to deal with getting the public finances in order was to frontload public cuts and less on increasing taxes (60 per cent cuts, 40 per cent taxes), whereas Labour proposed a more even split with 50 per cent cuts and 50 per cent taxes—welcome to austerity politics. Ireland may be drowning in debt, but it is progress (of a sort, fit for purpose for such alchemic austere times) that the water is only five feet instead of 10 feet above (assuming the new government can re-negotiate a better interest rate).

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<sup>12</sup> P. Rabbitte, 'Speech to Dáil debate on the Bank Guarantee Scheme', 2010, available at [www.kildarestreet.com/debates/?id=2010-11-17.471.0&s=speaker%3A282#g500.0](http://www.kildarestreet.com/debates/?id=2010-11-17.471.0&s=speaker%3A282#g500.0) (emphasis added).

<sup>13</sup> P. Mathews, 'Lame team failed to point finger back at ECB', *Irish Times*, 30 November 2010.

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## The beginning of the end of ‘civil war politics’?

The election of 2011 will prove a watershed in Ireland, not simply for the breaking of the hegemony of Fianna Fáil as the ‘natural party of government’ (though from the point of view of the democratic health of the nation, this is to be welcomed). But rather because it signals (or potentially) the beginning of the end of the ‘old politics’, the civil war politics which has dominated Irish democracy since its foundation. And by old politics I do not just mean the treaty/anti-treaty politics which spawned Fine Gael and Fianna Fáil, and prevented the evolution of ‘left-right’ politics which characterised most of the European states. By the old politics I also mean the centralised, anti-democratic, top-down, elitist political culture and dominance of Irish politics by a political class characterised by a being from a small number of key professions (principally legal) and also with a disproportionate number coming from family political dynasties.

While from the headline figures and the usual ‘horse race’ view of the election what seems to have happened is the replacing of one coalition (Fianna Fáil and the Greens) with another (Fine Gael and Labour), the return of independents, and the rise of Sinn Féin as a political force south of the border, there is, I think, a clearer right-left division, and a diffuse but identified leftward shift in the electorate, masked by the formation of the new coalition, and also the almost complete lack of coverage in the media of this element of the election outcome. However, at the same time, one needs to look at the grassroots to see some other (equally significant) political developments.

I am speaking here of grassroots/community initiatives such as *Claiming our Future* and *Is Feidir Linn* (‘Yes we can’, with clear echoes of Barak Obama’s hope-based campaign slogan). *Claiming Our Future* is supported by about 50 national groups including the Irish Congress of Trade Unions (ICTU), the National Women’s Council, the Disability Federation, the Taskforce on Action for Social Change thinktank, Social Justice Ireland, the Community Platform and the Society of St Vincent de Paul. Its first national meeting at the Royal Dublin Society on 30 October 2010 was hugely oversubscribed and limited to 1000 people. Its aim is to co-ordinate the views of hundreds of local and national groups in civil society who disagree with the way the crisis was being handled by the government and proposes a new citizen-based democratic model for Ireland. As one of its co-founders, Niall Crowley, former head of the Equality Authority, put it:

Our aim is not to compete with political parties, or to oppose. It’s more to propose that there are achievable, supported alternatives. Claiming Our

Future is about seeing the current crisis as a turning point and opportunity to reshape politics, reappraise values.<sup>14</sup>

It identified six priority areas:

- A sustainable alternative to our boom-and-bust economy;
- A more equal society;
- Change in the way we govern ourselves;
- Decent and sustainable jobs;
- Radical reform of the banking system;
- Reform of our public services.<sup>15</sup>

Though it is early days, it is evident that a Fine Gael/Labour coalition government may (just) be necessary but perhaps not sufficient to fulfil and deliver on the aspirations of such grassroots initiatives for a different type of politics, that goes beyond simply reforming the houses of Parliament (the Oireachtas) such as the proposed referendum to abolish the upper chamber (the Senate or Seanad) or reduce the number of elected representatives. Let us compare what the agreed Program for Government says and the demands of civil society (as represented by *Claiming Our Future*) to:

- Change the current development model and define and measure progress in a balanced way that stresses economic security and social and environmental sustainability.
- Regulate banking to change the culture from one of speculative banking to one where currently state-owned banks and new local banking models focus on guaranteeing credit to local enterprises and communities.
- Achieve greater income equality and reduce poverty through wage, tax and income policies that support maximum and minimum income thresholds.
- Prioritise high levels of decent employment with a stimulus package to maximize job creation in a green/social economy.<sup>16</sup>

The agreed Program for Government proposes to establish a

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<sup>14</sup> K. Holland, 'Grassroots group aims to "reshape politics"', *Irish Times*, 11 October 2010, available at [www.irishtimes.com/newspaper/ireland/2010/1011/1224280785006.html](http://www.irishtimes.com/newspaper/ireland/2010/1011/1224280785006.html).

<sup>15</sup> Claiming Our Future, *Priorities for the Future*. 2011, available at [www.claimingourfuture.ie/wp-content/uploads/Priorities\\_Folded-Blue\\_v2.pdf](http://www.claimingourfuture.ie/wp-content/uploads/Priorities_Folded-Blue_v2.pdf).

<sup>16</sup> Claiming Our Future, 'Conference report from consensors', 2010, available at [www.claimingourfuture.ie/wp-content/uploads/Consenors-Report.pdf](http://www.claimingourfuture.ie/wp-content/uploads/Consenors-Report.pdf).

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Constitutional Convention to consider comprehensive constitutional reform, with a brief to consider, as a whole or in sub-groups, and report within 12 months on the following:

- Review of our Dáil electoral system.
- Reducing the presidential term to 5 years and aligning it with the local and European elections
- Provision for same-sex marriage.
- Amending the clause on women in the home and encourage greater participation of women in public life.
- Removing blasphemy from the Constitution
- Possible reduction of the voting age.<sup>17</sup>

While the document recognises that ‘Government is too centralised and unaccountable. We believe that there must also be a real shift in power from the State to the citizen’<sup>18</sup>, there is no commitment or detail to enhance local democracy to enable the transformation of one of the major problems with the Irish political system since the foundation of the state, namely to effect the transition from local *administration* to local *democracy*. While the document does specify a range of devolutionary proposals—to devolve administration and financial control to local authorities—there are no proposals for enhancing citizen-based decision-making or the role of the citizen beyond a voter or taxpayer. The new government states that:

In local services, we will establish a website—[www.fixmystreet.ie](http://www.fixmystreet.ie)—to assist residents in reporting problems with street lighting, drainage, graffiti, waste collection and road and path maintenance in their neighbourhoods, with a guarantee that local officials will respond within two working days.<sup>19</sup>

It would appear the new government is so enthralled with this particular proposal that it lists it twice in the document (once on page 26 and again on page 28). And while this proposal will be welcome I’m sure, it is hardly the stuff of a ‘democratic revolution’ and one cannot help but think that already there are signs of a missed opportunity, that a focus on fixing the banks and public debt are at the expense of other possible and needed reforms within Irish democracy, since in my view (and other commentators) the root causes of the Irish crisis are to found in governance and politics and a failure of democracy. I note here in passing the three proposals for strengthening prosecuting of white-collar crime and banking/financial malfeasance, a

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<sup>17</sup> Fine Gael/Labour, op. cit., p. 17.

<sup>18</sup> *ibid.*, p. 19.

<sup>19</sup> *ibid.*, p. 26.

key cause of the current crisis, with the four on anti-social behaviour, or 12 on reform of sentencing and the penal system. The coalition will tackle poverty not inequality, which is the main cause of poverty. And this despite the evidence that ‘The level of income inequality remains comparatively high in Ireland, with a widening of incomes at the very top end of the income distribution’.<sup>20</sup> While it seems to largely limit its conception of equality to the social rights of citizens rather than integrating with a concern for tackling socio-economic inequalities and class divisions.

And yet while it is perhaps not likely, there are opportunities for the demands of civil society and the vision of the new government to be combined, not least from that most unlikely of sources—a government agency. NESC (the National Economic and Social Council) suggested in a report in September 2009, entitled *Well-Being Matters*, that there was a need

to question the model of development we have used in the past. While this model led to unprecedented economic growth it has left social deficits in its wake and seems limited in its capacity to address the challenges facing Ireland in the current recession or to shape our future society.<sup>21</sup>

This issue of the choice of development model for Ireland I will take up later.

Perhaps like in 1916, poets have as much to say pertinent to the issues of the moment as men and women of action. The poet Theo Dorgan had much of interest to say about the election when he said that the rise of Fine Gael may simply be the last hurrah of the old politics, when people realise they are not much different than Fianna Fáil when given the whip hand in coalition government. It may be the case that we begin to see a ‘new politics’—moving away from the family-business character of Irish politics, where almost half of elected politicians are related to other elected or previous elected representatives. The former Taoiseach, and former leader of Fianna Fáil, Brian Cowen, inherited his seat from his father and upon deciding not to stand at this election, passed the seat to his brother, Barry, who successfully held it. *Plus ça change...*

### **Reforming Ireland, re-founding the republic?**

It is telling that the nationalist discourse of the ‘betrayal of the republic’, of the ‘sullyng’ of the founders of the Irish state, of the dishonouring of the 1916 Easter Rising are rife within political and media commentary. While patriotism may be the

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<sup>20</sup> National Economic and Social Council (NESC), *Well-Being Matters: A Social Report for Ireland*, vol. 1, no. 119, 2009, available at [www.nesc.ie/dynamic/docs/NESC\\_WB\\_Volume\\_I.pdf](http://www.nesc.ie/dynamic/docs/NESC_WB_Volume_I.pdf), p. xiv.

<sup>21</sup> *ibid.*, p. xix.

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last refuge of the scoundrel, as Samuel Johnson said, there is no shortage of politicians, parties and movements all seeking to ‘re-found the republic’. And not just politicians calling for a ‘meitheal mentality’—meitheal being the rural community practice in Ireland of neighbours helping one another out—and for people to ‘pull together’ in the ‘national interest’, or at least in the interest of reassuring the international bond markets. But also poets, and I give you one example here:

### The Reclamation

I read the front page news again today  
And pondered sadly what it had to say  
Our treasured nation, failed by power and greed  
A people swindled, condemned to bleed.

beneath this cloud of gloom I did despair  
As Line by line, upon treachery I did stare  
A golden circle still runs wild and free  
The republic’s people, left to pay the fee.

...

I closed my eyes and thought of times of old  
When a nation’s proclamation was foretold  
By men of strength and vision, who gave their all  
So we the Irish people would never, again fall.

...

And yet today the keepers of their flame,  
Those who masquerade as leaders are to blame.  
Those veiled in corrupt robes with loosened belts  
Preying upon our people, to feed their masters wealth ...

Eamonn Og Solice, 8 October 2009

There is a long-overdue need to move away from a top-down, distant and powerful government and policy-making process on the one hand and a need to completely reform citizenship and citizen–state relations, especially, I would point out here, the intensely clientelistic nature of Irish politics. From a democratic perspective, clientelism should be viewed as form of paternalism. It has often been said that the modern movement for democracy and human rights represents the hard fought for

evolution from clientelism to citizenship, where ‘the citizen’ is someone with individual and collective rights, rather than merely someone who relies on charity, welfare or paternalistic gestures.<sup>22</sup> It may be, as many observers have noted, that Irish democracy has not developed fully in part because of this continuing presence of this paternalistic-clientelistic character. A cause of this is the Irish electoral system, PR STV, Proportional Representation, Single Transferable Vote. While other countries use PR, Ireland is unique in also having STV. The key feature of this system is that it allows voters to vote across party lines. Therefore it means that candidates of the same party must compete with each other as well as with candidates from other parties. This encourages an intense and often unhealthy localism on behalf of national politicians.

One solution to this proposed by Professor Tom Garvin is to have two votes for the Dáil—one for a constituency as at present and the other for a party list. Having half of the deputies elected from party lists would have two positive effects. The first is that it would insulate deputies from constant direct local or clientelist pressures and allow them to carry out their role as *national* legislators. The second is that a different kind of politician might emerge through the lists. Establishing a reputation for ‘getting things done’ and ‘sorting out issues’ in local areas places great restrictions on the routes of entry into the national political system. Such local fixing ought to be the role of local councillors in the first instance, not national legislators. At the same time, there are many people who could ably serve in the Dáil but who are put off by the localistic, highly competitive and clientelistic nature of our political system. If we want to broaden the social composition of the political class then list system is the way to go. But I seriously doubt we will see any attempt to tackle this problem and seriously consider changing the electoral system.

There were calls right across the political spectrum for reform to the Irish political system—ranging from proposals to abolish the upper chamber, end corporate and trade union financing of political parties, lowering the number of elected members of the lower chamber, to the creation of a citizens’ forum and a constitutional assembly or calls for an end or major scaling back of the social partnership process—the formal policy forum which brought together the government, the trades unions, farmers, business, community and voluntary groups and latterly environmental groups.

A crisis after all is a terrible thing to waste as the oft-repeated phrase puts it. Or as we are more likely to say in Ireland ‘sure you might as well be hung for a sheep as a lamb’. While there will doubtless be some changes to the Irish political system (and perhaps less so to the legislative and policy processes) it is unlikely that we will see

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<sup>22</sup> International Labour Organization, *Economic Security for a Better World*. Geneva, International Labour Office, 2004, available at [http://www.ilo.org/public/libdoc/ilo/2004/104B09\\_278\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/2004/104B09_278_engl.pdf), p. 7.

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major institutional or constitutional changes. While the processes of government and the wider institutionalised governance system are generally seen as causes of the Irish crisis, the main focus, I would suggest, will be the external dealings with bondholders, the IMF and ECB and the internal implications of this. Reform, not revolution or transformation, will be the order of the day for the period of the incoming government. Of course ‘facts on the ground’ may change that, if austerity measures go too far and push Irish citizens to Icelandic or Greek-style protests. But with emigration running at over 1000 people a week, those most likely to take to the streets or engage in extra-parliamentary politics, are leaving Ireland. Emigration has been the default mechanism for Ireland to cope with crises, an Irish solution to an Irish problem, a pressure valve which removes potential political and social pressure from the political system.

### **Responsibility, re-founding and re-birth: beyond blaming banksters, bureaucrats and Fianna Fáil?**

There has been little (yet) public reflection on the social and cultural causes of the meltdown of the Celtic Tiger model. What I mean by this is the provocative, perhaps, suggestion that one cannot blame everything for what has happened to Ireland on the previous government in general or Fianna Fáil and the small cadre of senior public officials (mostly but not all within the powerful Department of Finance). I speak here of what David McWilliams (pop economist, journalist and broadcaster) identified in his insightful and best-selling book *The Pope’s Children*, as the culture of debt-based hyper-consumerism, economic accumulation and property speculation which characterised the Celtic Tiger years. There has been rather less analysis and public discussion of the culpability of ‘ordinary citizens’ who (and I exaggerate of course here, but in full recognition that exaggeration is when the truth loses its temper) seemed only too happy to turn a blind eye to the behaviour of Fianna Fáil and the ‘golden circle’ between it, developers and leading banks, so long as people were, to use the Irish phrase—‘*ar muin na muice*’—‘on the pig’s back’ and doing fine financially and personally. During the Celtic Tiger years, socio-economic inequality grew in Ireland, private wealth sat alongside poor public health and education systems. In the words of Mary Harney, former minister and leader of the Progressive Democrats, the party which perhaps more than even Fianna Fáil provided the neo-liberal policy and ideological justification for a low tax, multinational-friendly, foreign direct investment dependent, export-orientated economy, people seemed to prefer to be ‘closer to Boston than Berlin’, that is preferring American-style ‘small government’ and welfare services to the ‘social market’ ethos of Germany.

Reckless lending by banks does not happen in a political vacuum it is true, and here (as a recent inquiry into the Department of Finance has found) the Irish state did not regulate effectively and engage in counter-cyclical policies to prevent or limit the



damage from an overheated housing bubble. But banks need willing customers to lend to (and not just property developers), and here I think there is some soul-searching to be done within Ireland. For while not everyone benefitted (never mind benefitted equally) from the Celtic Tiger years, nor engaged in speculative property investments or debt-based consumerism, a significant and politically vocal section of the Irish people did.

To be fair to them, a salutary recognition of this was sounded by the Green Party, oddly enough while still a governing party. In the summer of 2008, that is before the collapse of the Lehman brothers in America and the infamous September meeting between Irish banks and the government, former Green Party minister Eamon Ryan said the following in the Irish Dáil (lower house of parliament):

We bought bigger cars for the status that it gave. We built bigger houses with X number of bedrooms and bathrooms, regardless of how we were going to heat these massive properties. We flew to New York in a way that turned Madison Avenue into our latest Grafton Street ... *Let us be honest with ourselves that is the phenomenon that occurred* ... In the last decade China and India started to produce our goods for us at a fraction of the cost. That brought down inflation in the developed world and allowed the central banks to lower interests internationally, which led to easy lending, bad lending.<sup>23</sup>

It is perhaps more than telling that it was a Green Party *minister*, not just an elected member of the Dáil, who was brave (or foolish) enough to hold a mirror to the debt and fossil-fuelled unsustainability of Ireland's economic bubble. And he did so in the Dáil, the apex of the Irish representative democratic system, not in a blog, or a tweet or local Green Party constituency meeting.

So my question here (if it can be phrased as such) is whether Ireland as a nation is being honest with itself? Yes, Fianna Fáil perhaps deserved its drubbing for its 'cute hoor' stroke politics and too cosy connection with developers and banks; yes the reckless (and poorly regulated) lending by Irish banks perhaps meant they deserved their transformation from banks into 'banksters' (at the same time as major parts of the Irish banking sector were nationalised); and yes the senior public servants who managed the economy and co-presided over the Celtic Tiger perhaps deserved the opprobrium of the people as members of a discredited political class.

But as my father, a wise peasant from County Wicklow (the Garden Country of Ireland), used to always tell me, 'when you point the finger at someone or something

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<sup>23</sup> *Irish Times*, 11 July 2008 (emphasis added).

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else, there are three pointing back at you'. Well, the Irish people have blamed, pointed and excoriated a whole range of people and institutions and practices, on the doorsteps, in letters, and above all via that that quintessentially modern barometer of public opinion, I speak here of course of talk radio (the charms and political implications of which, coincidentally, are also alive and well here in Australia, or so I am lead to believe). The people, like the big bad wolf, have huffed and puffed but—in giving overwhelming support for a Fine Gael/Labour government to continue on (with some modifications) the austerity policies of the outgoing government; in giving support to the policies flowing as a consequence of the Irish bailout by the International Monetary Fund and the European Central Bank in November 2010—they have not blown the house down.

Diarmaid Ferriter has perhaps put it best when he notes that what has happened is that 'the Irish have not reacted to the crisis with the militancy and street protests of Greece and Iceland' but reserved 'their ire for the polling booth'. He goes on to conclude that

It is a measure of the cautious nature of Irish politics that even crisis on a massive scale did not produce a new radical national movement to challenge what has repeatedly been described as a dysfunctional political system. *Revenge rather than revolution will characterise the election result.*<sup>24</sup>

And he was proved right.

In my own view, Ireland is at a crossroads in the current moment, an essential part of which cannot remain at the big 'P' political, parliamentary or governmental level. Here what I am getting at is the idea that as that astute observer of the young American republic in the early 19th century, Alexis de Tocqueville noted, democratic republics are *democratic societies, not simply democratic systems of government*. And while we have had a peaceful transition from one government to another (here reminding ourselves as we always should that democracy is first and foremost a non-violent means of decision-making and disagreeing with one another), we have yet to hear or see the deliberations of Ireland *as a democratic society*. And in many ways this is a much more difficult issue than merely 'throwing the bastards out', gratifying and cathartic though that may be. Here, though it deserves more time than I can give it, we note the demise (but not disappearance) of the Catholic Church in Ireland—due to clerical sex abuse and the church's cover-up and the institutional abuse scandals—the fall of this institution at the very time when many people would look to religion for consolation in such troubling times. And I speak here, if I may add a personal note (another deviation from normal academic best practice), I speak here as someone

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<sup>24</sup> D. Ferriter, 'The Irish people's act of revenge', *Guardian*, 23 February 2011 (emphasis added).

raised as a Catholic, but who is and has been for all my adult life not simply a lapsed Catholic, but a completely collapsed one. Yet, even I, as much as a Irish citizen as an Irish humanist, can see the comfort denied or perhaps at least compromised to some degree, to my fellow citizens by the decline in the standing of the Catholic Church, which rather like Fianna Fáil, dominated the cultural and moral life of the nation for decades since the foundation of the state. If I were to be so bold as to offer advice to the church it would be that its recovery will be found in the moral authority it earns from working with the poor and not from canon law coming from the papacy.

There are cultural resources that need, in my view, to be mobilised now in Ireland, as a necessarily accompaniment to provide the possibility that the political and economic reforms now under way are the beginning, a beginning and not the end of a transformational process. But this can only be done on the basis of seeing Ireland as a society, a democratic republic and not an ailing economy, which needs to get back to the way things were before the crash. As a democratic republic, the people, the citizens are sovereign, yet their sovereignty has been severely constricted, yes, but not eliminated. And Ireland as a society with an economy, and not an economy masquerading as a society, needs to have an open and honest, frank and brutal conversation about the culpability of ordinary citizens in their part in the crisis, without for one moment reserving the greatest responsibility for reckless bankers and property developers and a regulatory regime and government system asleep at the wheel. But I do think, and here I would expect some negative comment, the Irish people, Irish society as a whole needs to go through something akin to a grieving process. Just as in the famous Kübler-Ross grieving cycle, perhaps what we have recently witnessed are the first stages—denial (by the former government) followed by anger (by the people at the recent election)—but still people (and the current government it seems) are yearning after something that has passed, wishing to return to a new version of the busted flush of what I call the ‘buildings, banks and boutiques’ neo-liberal model of development—property speculation, finance and debt-based consumerism. And part of the reason for this—while of course lessons have been learnt about managing property bubbles (and here one hopes China has looked at the lessons of Ireland) and the need to regulate finance—there is a dismal lack of creativity and imagination in thinking ‘what next?’, what can replace the neo-liberal, low-tax, export-orientated, FDI-chasing model? There is little sign of either governmental or popular support or acceptance that there are forms of economic prosperity beyond economic growth, neoliberalism and collateralised debt and that looming issues around peak oil and Ireland’s oil vulnerability will perhaps dwarf the current fiscal and economic crisis of the state. In other words, and returning to the grieving cycle analogy, we have yet to see signs (apart from civil society initiatives such as *Claiming our Future*) of some sort of acceptance and responsibility for our plight and some sense of ‘moving on’ to something new. And this something new, I

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suggest below, has centrally to do with the recovery of the primacy of politics and values and above all the implementation of a new ‘development model’ for Ireland.

Here I think culture and the role of poets, artists and musicians are as important as politicians, protestors, analysts and commentators. As the Irish novelist Colm Tóibín noted last November:

Now, more than ever, the role of culture to delight us—to make images and offer moments which will have strange power or even a mysterious and insistent powerlessness—is more important than it has ever been. After the fall of Parnell, when Ireland seemed at its lowest ebb, when politicians and church leaders seemed to have done their very worst, when there was an abiding sense in Ireland of darkness and despair, WB Yeats saw something which interested him. He saw a country which was like soft wax which could be moulded and reshaped and he saw a crucial role for artists and for artistic activity in that remoulding.<sup>25</sup>

While it may sound typically academic, intellectual (and not a little elitist perhaps to some ears) to focus on ‘cultural renewal’ while thousands of people are leaving Ireland, clinging to keep their homes and suffering, I would contend that we can walk and talk at the same time as it were. If, a big if mind you, but if we are interested in a renewal, re-founding and transformation from this moment of crisis, then there has to be cultural renewal. Or rather, what I mean by this is that institutional and political and economic reform needs a counterpart in social and cultural reform.

### **The need for a new development model: beyond orthodox economic growth**

The existing Irish model of development defines development as orthodox economic growth which uses the level of GDP (a measurement of the total value of traded goods and services produced in Ireland) as a measurement of development and social progress. A lot of my academic research for 20 years has been on criticising orthodox economic growth as a measure of social progress but I won’t bore you with my detailed analysis here—I’ll save that for boring some other people at ANU next Friday and the Universities of Melbourne, Sydney and Adelaide next month. However, as Peadar Kirby and Mary Murphy note:

economic growth ... is limited and misleading for the following reasons. It says nothing about whether growth is sustainable, that is, if it can look after the needs of today without jeopardising the needs of future

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<sup>25</sup> C. Tóibín, ‘Spreading the real news from Ireland’, *Irish Times*, 18 November 2010, available at [www.irishtimes.com/news/paper/features/2010/1118/1224283615611.html](http://www.irishtimes.com/news/paper/features/2010/1118/1224283615611.html).

generations. It says nothing about how national income is distributed between regions, social classes, men and women, age groups or ethnic groups. It does not include any assessment of the value of unpaid work, including care work done by women. It places positive value on activities that actually harm the environment (e.g. driving motor cars) and places less value on constructive activities that sustain the environment (e.g. cycling). Finally it includes the value of profits made in Ireland but transferred abroad.<sup>26</sup>

Or as Robert Kennedy put it over 40 years ago:

Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things. Our gross national product ... if we should judge America by that—counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for those who break them. It counts the destruction of our redwoods and the loss of our natural wonder in chaotic sprawl. It counts napalm and the cost of a nuclear warhead, and armored cars for police who fight riots in our streets. It counts [rifles and knives], and the television programs which glorify violence in order to sell toys to our children.

Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile. And it tells us everything about America except why we are proud that we are Americans.<sup>27</sup>

Or Irish for that matter. Economic growth can also be jobless or simply indicate the growing unequal distribution of wealth in an economy. Ireland's dominant model of development currently rests on values of individualism, income maximisation and economic growth as an end in itself rather than as a means to social development, and the domination of the policy-making process by a narrow political and economic elite. Here, Ireland could do well to examine the development approaches of other small

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<sup>26</sup> P. Kirby and M. Murphy, *A Better Ireland is Possible: Towards an Alternative Vision for Ireland*, 2008, available at [www.ul.ie/peadarkirby/kirbypublications\\_files/CP001\\_Screen.pdf](http://www.ul.ie/peadarkirby/kirbypublications_files/CP001_Screen.pdf), p. 33.

<sup>27</sup> R. F. Kennedy, 'Address', University of Kansas, 18 March 1968.

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states such as Finland, as there are examples of ‘models of development which are compatible with both growth and equity and can realise strong social outcomes while maintaining and reinforcing competitiveness’.<sup>28</sup>

The new development model that Ireland could implement is one where the Irish state turns from being a ‘competition state’ which prioritises economic competitiveness and orthodox economic growth over social cohesion, equality and welfare, towards a developmental welfare state, part of which is to wean Ireland off being a low-tax, low social expenditure/social protection, low indigenous innovation, FDI-dependent economy. As Nigel Boyle puts it, ‘Contemporary Ireland is an exemplar of the competition state, where social policy is subordinated to the needs of the economy’.<sup>29</sup> This needs to change. It is worth noting here that

the Irish percentage of GDP spent on social protection (18.2 per cent) continues to compare badly with not only high spenders France (31.1 per cent) and Sweden (30.7 per cent) but also the EU-15 average of 27.5 per cent, the UK (26.4 per cent) and countries like Greece 24.2 per cent and Portugal 25.4 per cent.<sup>30</sup>

Former Taoiseach (prime minister), Garret FitzGerald, voiced the concerns of many when he asked:

Why is it that, with a level of income higher than that of 22 of the 27 EU states, our public services fail to look after children in need or to care for the ill and the old; fail to make any serious attempt to rehabilitate our prisoners; and fail to ensure access to clean water—not to speak of failing to provide efficient competitive public transport, just to mention a few of our more obvious public service deficiencies.<sup>31</sup>

If not at the height of an economic boom, when the coffers of the state were overflowing with tax revenue—when?

It is vital, I think, that public policy be focused on the firm basis that the economy is a means to an end, and not an end in itself. Orthodox economic growth by this argument is less useful or helpful for giving us an indication of progress in society than a

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<sup>28</sup> Kirby and Murphy, *A Better Ireland is Possible*, op. cit., p. 32.

<sup>29</sup> N. Boyle, ‘FAS and active labour market policy 1985–2004’, *Studies in Public Policy*, no. 17, 2005, p. 16.

<sup>30</sup> P. Kirby and M. Murphy, ‘Globalisation and models of state: debates and evidence from Ireland’, *New Political Economy*, no. 16, 2010, p. 36.

<sup>31</sup> G. FitzGerald, ‘End of asset boom reveals foolishness of tax cuts’, *Irish Times*, 11 October 2008, p. 14.

conception of progress or prosperity based around measuring how well the most vulnerable in society are doing, how we look after our old, our sick, our children, rather than simply focusing on GDP growth or stock market figures (important as these may be as means). Ultimately it is a question of values and priorities—are we a society or an economy? It is to be hoped (though perhaps not to be necessarily expected) that some of the current coalition government’s proposal—perhaps around the constitutional convention proposal—might contain an opportunity for this type of public debate and genuine engagement with citizens qua citizens rather than simply as voters or taxpayers.

The new government will continue implementing the austerity measures aimed at returning Ireland’s fiscal deficit to under the limit of three per cent of GDP by 2015. As such, Ireland’s economic trajectory of weak domestic demand offset by strong export growth will continue. To translate, this is, at present, ‘jobless recovery’ or ‘jobless economic growth’, as one can see if one examines the strong export figures for Ireland alongside a stagnant domestic economy and of course amongst the strong export figures we need to place the fact that Ireland is once again exporting her people with massive emigration (which of course you have seen and hopefully you will benefit from here in Australia). Unemployment is currently running around 14 per cent and there is a curious 1980s feel about contemporary Ireland, in the return to high and persistent levels of unemployment and the potential scarring of a generation from this experience of joblessness, job insecurity and forced emigration, not to mention the unrecorded personal misery and social despair of unemployment.

As Paula Clancy, former director of the think tank—TASC (Taskforce for Action on Social Change) notes:

*The absence of a debate on the type of society we want means that, by default, economic growth becomes the sole societal objective.* Embedded in this way of thinking is the assumption that economic growth is inherently neutral, which it is not. What happens here is that society becomes a slave to economic growth and we have seen during the last two decades that this produces a number of undesirable outcomes:

- increasing inequality...
- endangered environment—unfettered economic growth is clearly unsustainable...
- personal fulfilment—there is increasing evidence that, no matter how much wealth is generated, the resulting rise in expectations creates a persistent dissatisfaction of never having enough.<sup>32</sup>

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<sup>32</sup> P. Clancy, ‘Towards a flourishing society’, TASC website, 2010, [www.tascnet.ie/showPage.php?ID=2525](http://www.tascnet.ie/showPage.php?ID=2525) (emphasis added).

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Hence the central importance of politics, political debate and values in relation to how to think about what the economy is for, how it is managed, in who's interest and for what purpose.

And indeed, it also finds an echo ever within (some) official state thinking as represented in the 2009 NESC report *Well-Being Matters*, where it proposes a new development model beyond the 'Celtic-Tiger', one in which a number of new high-level objectives for the state could be changed so that we shift:

- From growth of total GNP to GNP per head to *sustainable growth*;
- From income growth to *a more equal distribution of income*; ...
- From an exclusive focus on income to *a balance between income and better provision of accessible, affordable quality services*;
- From developer-led developments to *planned and sustainable communities*; ...
- From 'survival of the fittest' to *a more egalitarian society*.<sup>33</sup>

The weaknesses of the competition state economic model was that it

exposed the economy to high levels of risk—an overreliance on mobile foreign capital, a speculative property market, a local economy ever more dependent for economic growth on a property bubble fuelled by government incentives and low euro interest rates, and a lightly regulated financial sector.<sup>34</sup>

We need to learn the painful lessons of, but more importantly begin to *creatively think beyond, this model*. Part of this new economic thinking should be the removal not just of 'market distorting subsidies', such as, I would point out in passing, the need to identify and phase out the carbon subsidies locking us into an outdated fossil fuel infrastructure, seeing as I am speaking here in Australia in the midst of your political debate about a carbon tax. But much more importantly to recognise and eliminate what I would call 'economy distorting dependencies'—in the Irish case, dependence on foreign multinationals to provide innovation, jobs and investment (and to a much lesser extent corporate taxes). And in thinking beyond the failed Celtic Tiger developmental model, we also need, I would suggest, to think of public policy beyond orthodox economic growth.

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<sup>33</sup> National Economic and Social Council (NESC), op. cit., p. xix.

<sup>34</sup> Kirby and Murphy, 'Globalisation and models of state', op. cit., p. 34.



### **Where's our 'green' Whitaker?**

In the context of the severe crisis Ireland faces—which for me goes beyond the current economic/financial crisis but should be viewed as a 'triple crunch', to also include climate change and energy insecurity—it is perhaps timely to ask whether we need a new T.K. Whitaker, the senior and much lauded Irish civil servant who helped modernise Ireland in the late 1950s? Just as Whitaker penned the 1958 *Economic Development* report which signalled a step change in Irish economic/industrial policy, where is the equivalent today to produce a 'Sustainable Development' policy document? Just as the need for Ireland to promote economic growth, develop an industrial base and begin the shift from a largely inward, partly autarkic and agricultural economy were some of the headline objectives and context of the 1958 report and program, surely we are in need today of similar bold, innovative and mould-breaking policy thinking?

Whereas Whitaker's vision was for a more internationalised, open, competitive industrialised Ireland, what is the vision, or visions, for today? My own preferred indication lies in *A Green New Deal*<sup>35</sup>—elements of which one can find in the *Building Ireland's Smart Economy* document drafted by Brian Cowen's chief economic adviser, Peter Clinch (an environmental economist interestingly), in December 2008<sup>36</sup>, but also in a range of UN, European and other official documents, businesses and academia. While I think there needs to be a discussion of the merits of that document (elements of which can be seen in the new Program for Government) and the commitment to a 'Green New Deal', I am more interested in what people think about the need for a 'Green' Whitaker. And in focusing on Whitaker, I am less interested in the equivalent detail of what we need today, than in the issues of intellectual leadership, policy innovation and the courage to break with previous economic policy. In short, what I am indicating here is the need for policy and political innovation in the search for a better, more sustainable (and not just in the financial sense), more inclusive development model.

If, as I hold, we are at the beginning of the end of the oil age, where the transition to a low-carbon economy is as inevitable as death and taxes, it would be important for any government, not least one in as big a hole as the Irish one, to seriously think about how it can manage this inevitable transition to its best advantage, rather than having such a transition thrust upon it from the outside (much like the IMF/ECB bailout). For it sadly seems to me that there is a desperation within business, most academics and

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<sup>35</sup> Green New Deal Group, *A Green New Deal: Joined-up Policies to Solve the Triple Crunch of the Credit Crisis, Climate Change and High Oil Prices*. London, New Economics Foundation, 2008.

<sup>36</sup> Department of An Taoiseach, *Building Ireland's Smart Economy*, 2008, available at [www.taoiseach.gov.ie/eng/Publications/Publications\\_2008/Building\\_Ireland's\\_Smart\\_Economy.html](http://www.taoiseach.gov.ie/eng/Publications/Publications_2008/Building_Ireland's_Smart_Economy.html).

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especially the senior policy-making community in Ireland, to cling onto ‘business as usual’, to hope and pray that the current economic crisis will pass and that the only serious issue is how long we have to ride out the storm till it passes and we can go back to where we were. Even Thomas Friedman (once chief cheerleader for neo-liberal globalisation and author of books popularising neo-liberal globalisation such as *The World is Flat* and *The Lexus and the Olive Tree*) has recognised that perhaps the current crises represent the end of an unthinking commitment to orthodox economic growth at any cost. As he put it in a piece for the *New York Times* in March 2009:

Let’s today step out of the normal boundaries of analysis of our economic crisis and ask a radical question: What if the crisis of 2008 represents something much more fundamental than a deep recession? What if it’s telling us that the whole growth model we created over the last 50 years is simply unsustainable economically and ecologically and that 2008 was when we hit the wall—when Mother Nature and the market both said: ‘No more’.<sup>37</sup>

This clinging to ‘business as usual’ is a recipe for disaster, where a poverty of imagination about using this crisis to begin our overdue economic detox from carbon, utilising our indigenous sources of renewable energy and developing some fresh thinking about what Ireland’s economic model of development should be in the 21st century, will ensure we miss this once in a generation opportunity, as Whitaker did, to outline a different path and vision for Ireland. So, if there is no ‘Green Whitaker’, surely we need to find one? And fast.

It is interesting and hopeful that the new agreed Program for Government does commit the new government to implementing key elements of the *Smart Economy* proposal, though largely limited to the ‘digital Ireland’ proposals, cloud computing, Ireland as a digital gaming hub, tourism and international education. There is some mention of support for the ‘green economy’. There is a commitment for ‘pay as you save’ energy efficiency home schemes and support for positioning Ireland as an international player in the carbon management market and very welcome support for more co-operatively owned renewable energy projects.<sup>38</sup> It is, however, noticeable that addressing Ireland’s dependence on imported fossil fuels and a transition to a renewable energy economy and society are conspicuous by their absence. This for an island nation that a) is extremely vulnerable to fluctuation in external oil prices and supply shocks and b) has abundant renewable energy sources in wind, wave, tidal and biomass.

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<sup>37</sup> T. Friedman, ‘The inflection is near’, *New York Times*, 7 March 2009, available at [www.nytimes.com/2009/03/08/opinion/08friedman.html](http://www.nytimes.com/2009/03/08/opinion/08friedman.html).

<sup>38</sup> Fine Gael/Labour, op. cit., p. 13.

**Conclusion: meet the new boss/coalition, same as the old boss/coalition?**

It is already clear that like the new coalition government in the UK, the incoming Irish Government will do its best to blame as much of the austerity measures it will oversee as it can on the previous administration, claiming things are worse than forecasted, much public rhetoric about ‘mismanagement’ and ‘lack of transparency’ and only finally ‘seeing the books’, etc.

The new Irish coalition government has committed itself to the existing budgetary measures as part of the previously announced austerity programs for 2011 and 2012. While doubtless there is something in the official rationale of accepting the previous administration’s budgetary adjustment plan, ostensibly to ensure and restore ‘credibility’ and certainty about Ireland to the international finance markets (as the Program for Government puts it), and equally important to reassure Germany, France and the UK (our European partners), and the International Monetary Fund. However, it is also classic *realpolitik*, since this period 2011–12 accounts for the bulk (60 per cent) of the aggregate austerity program. This of course allows the coalition to ‘blame it on the other guy/coalition’ rather than be implicated themselves. This allows them to portray the austerity measures as (partly) ‘legacy issues’ of the previous government’s mismanagement/bad decision-making, which the conditionality of the bailout and the twin external pressures from the European Union (motivated as much by a desire to protect the stability of the Eurozone than helping the Irish people), and the IMF (to get its money back) has ‘locked in’ with little room for manoeuvre (beyond perhaps renegotiating a better interest rate). There is no alternative.

This much scripted political drama is to be expected as Act I of any post election period where it is only politically astute to blame any pain the electorate may feel on the previous government. It’s the equivalent of calling in a plumber who when presented with the problem draws breath through clenched teeth and says ‘what sort of clown did you call before?’, before adding after a suitable pause, ‘I can fix it, sure, but it won’t be quick or cheap’. Fixing Ireland’s economic plumbing will neither be quick nor cheap and we should only wait and see how the new government performs in addressing the economic and political roots of the Irish crisis.

I contend that a major part of ‘fixing’ Ireland is to begin to think outside the neo-liberal development model, to begin to wean the economy off an over dependence on attracting footloose capital (foreign direct investment), and wedding ourselves to a low tax and low social protection regime—that is to move decisively away from being a ‘competition state’ and towards being a developmental state. However the signs are (from the agreed Program for Government) that the coalition is seeking to return to some version of the pre-crash economic model. This is largely due to the centre-right Fine Gael party being the main coalition party, and it may be that they will seek to

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take over where the Progressive Democrats left off in pushing Ireland towards Boston rather than Berlin as it were. And while a Labour-led coalition government would perhaps have offered an opportunity for decisive break with this neo-colonial dependent development model, it is to be hoped that they manage to take the blunter edges off the IMF/EU/Fine Gael coalition.

The agreed Program for Government, acknowledges the ‘unknown but potentially enormous cost’ of continuing the bank bailout and the ‘growing danger of the State’s debt burden becoming unsustainable’. As *Irish Times* columnist Fintan O’Toole remarked, ‘This is a polite way of saying we cannot afford the bank bailout, and a sovereign debt crisis is the likely outcome of current policies’.<sup>39</sup> Hence there will be some tough negotiations or at least tough talk about ‘tough negotiations’ with the ECB and Ireland’s European partners (I note in passing that the political debate since the bailout, especially during and after the election has almost erased the IMF from the script). But fundamental root and branch reform of the Irish economic model and strategy? A root and branch reform of the Department of Finance and the removal of key public policy makers who managed and supported the neo-liberal, low tax, FDI-chasing model? A root and branch effort to include citizens in the management of their own economy and society? While there may be some delivery on what the new Taoiseach/Prime Minister Enda Kenny calls the ‘democratic revolution’, i.e. political institutional reforms, there is not much chance of either delivering on a more radical economic revolution (given the externally imposed financial straitjacket which compromises the sovereignty and room for manoeuvre of the Irish Government) and a new development model, nor of realising the full potential of the ‘re-founding’ of the democratic republic.

An important proposal here would be to have a public and open audit of Irish public debt.<sup>40</sup> Debt audits have been used across the world to allow civil society to hold to account those responsible for the damage caused by their countries’ indebtedness. One of the most alarming aspects of the Irish debt crisis is the lack of transparency or clarity on the numbers involved and such a proposal would establish the primacy of democratic politics as an essential part of addressing our economic and fiscal crisis. After all, it is the ‘people’s money’ and taxes that is at stake here.

Ireland is a democratic society not just a democratic system, and certainly not the phrase coined during the Celtic Tiger years ‘Ireland Inc’. Its democratic and sovereign status was hard won, but the recent evolution of the Irish state into a competition state has been at the cost of democratic roots that have insufficiently taken hold throughout

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<sup>39</sup> F. O’Toole, ‘Coalition offering love potion and a chastity belt’, *Irish Times*, 8 March 2011.

<sup>40</sup> A. Storey, ‘Call for a debt audit’, 2011, available at [www.progressive-economy.ie/2011/03/guest-post-by-andy-storey-call-for-debt.html](http://www.progressive-economy.ie/2011/03/guest-post-by-andy-storey-call-for-debt.html).

society and creating strong, accountable and transparent links between citizens and their state. Ireland is also, lest we forget, a republic, and I am reminded here of the evocative statement by one of the founders of the American republic, Samuel Adams:

If ye love wealth better than liberty, the tranquillity of servitude than the animated contest of freedom, go from us in peace. We ask not your counsels or arms. *Crouch down and lick the hands which feed you.* May your chains sit lightly upon you, and may posterity forget that you were our countrymen!<sup>41</sup>

As I stated above, this is a time for the primacy of politics, of values of what sort of society we wish to live in, even as we try to cope with the pressing and interlinked economic, banking and public debt crisis. It is clear that Irish sovereignty has gone from being ‘pooled’ as a member of the European Union, to being compromised as a result of the ECB/IMF bailout, and is being forced to ‘crouch down and lick the hands’ that lend it money.

But perhaps, like most academics and intellectuals I am too harsh, and like those Irish people who don’t live in the Republic of Ireland, and who observe it from afar, I am not close enough to the ground to make accurate judgements. Perhaps, with Fintan O’Toole we should see if the coalition delivers. As he puts it,

it would be churlish not to acknowledge that the coalition deal contains commitments which, if implemented, will amount to the most radical reforms in the history of the State—far more radical, indeed, than the new Constitution of 1937. If the proposed constitutional convention genuinely engages with citizens, it could begin the process of restoring Irish democracy.<sup>42</sup>

However, my own analysis is that what will pass is more likely to be some temporary reform rather than more fundamental transformation of the Irish political and economic systems, the strengthening of Ireland as a democratic society and the implementing of a new, sustainable and more equitable development model. The temporary reforms may work for a while, though rises in the price of oil (now over \$100 dollars a barrel), Middle East instability, Chinese government decisions about its own growing housing bubble and banking system, and its trade policies, may, like the 2008 global financial crisis before it, throw all of these plans astray.

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<sup>41</sup> S. Adams, ‘Speech’ State House of Pennsylvania, Philadelphia, 1 August 1776, in D. Moore (ed.), *American Eloquence: A Collection of Speeches and Addresses*. New York, D. Appleton and Company, 1859, p. 328 (emphasis added).

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So, Fianna Fáil has been humbled, never again to resume its position as the dominant party in Ireland and the ‘natural’ party of government. In this sense the old civil war mould of politics in Ireland, of Fianna Fáil versus everyone else, has come to a welcome end. But there is little sign, as yet, of the demise or humbling of the neo-liberal model of *dependent development*, meaning that when the world economy sneezes Ireland gets pneumonia, and it remains to be seen whether efforts to resuscitate what one could call the ‘zombie economic model’ of the Celtic Tiger will do anything to reverse a return in our neo-colonial status as a ‘developing world country without the weather’. Ireland is now a land where the dead walk amongst us in the form of dead economic thinking, a failed economic model, where we have ‘zombie banks’, ‘zombie housing estates’ all presided over by what Australian economist John Quiggin aptly terms ‘zombie economics’.<sup>43</sup>

However, the ‘Celtic Tiger’ was not some unplanned or unmanaged process, but one actively and carefully managed and nurtured by the Irish competition state, and supported not just by Fianna Fail, but almost all political parties, economists and media commentators in Ireland I hasten to add. Ireland is not so desperate that it is a ‘failed state’. It is still, by any measure a wealthy (though highly unequal) country, with a vibrant culture, and a young and educated population and therefore there is no danger of Queen Elizabeth when she makes her historic visit to Ireland in the summer being told ‘Well Liz, we tried to make a go of it on our own but it’s just not working out, so can we rejoin the United Kingdom?’

But to remake, restore and perhaps re-found Ireland, we first and foremost need to see the current crisis and election as an opportunity to establish the primacy of politics, of democracy and of values, as a necessary precondition to sorting out the economy. Even under the limited room the Irish state currently has due to the external demands of both the EU and IMF, and international financial markets, it is not without the capacity to act. If the new government—together with other social partners, businesses, unions, civil society and civil servants and perhaps, perhaps if it reaches out and includes at least some elements of the Opposition to come close to being a government of national unity—so chooses, it can help steer the economy and society in a new direction. It is a matter of political will and leadership, vision (and luck). But it is also a matter of values and having the courage to question self-evident ‘truths’ such as orthodox economic growth, and consider that a post-Celtic Tiger Ireland is also a post-orthodox economic growth one. As Tim Jackson has noted, ‘Every society clings to a myth by which it lives. Ours is the myth of economic growth’.<sup>44</sup> Perhaps

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<sup>42</sup> O’Toole, op. cit.

<sup>43</sup> J. Quiggin, *Zombie Economics: How Dead Ideas Still Walk Amongst Us*. Princeton, Princeton University Press, 2010.

<sup>44</sup> T. Jackson, *Prosperity Without Growth: Economics for a Finite Planet*. London, Earthscan, 2009, p. 5.

Ireland could lead the way (and following other countries like Bhutan and Thailand to a lesser extent) and seek to replace this particular modern myth.

To use a by now well-worn phrase still doing the rounds in Irish politics, ‘we are where we are’ and not where we would wish to be. But while where we are is painful, it is not hopeless. And just as a former US President found out that ‘Yee haw’ was not a foreign policy, the Irish people’s recent act of revenge against Fianna Fáil is only a necessary first step in the recovery of the republic. There also needs to be some ‘plain speaking’ about the corrosive culture that was cultivated during those years which acted as a social mirror of the ‘lean and mean’ Irish competition state.

The question facing the Irish people, which the recent election has only partially answered, is this: the republic is threatened—*who* will stand by the republic and, as another bearded student of politics from the early 20th century put it, ‘*what* is to be done’?



**Question** — How sustainable is the Irish sovereign debt? I really don’t see that the Irish are going to be able to pay back this debt and, with the benefit of hindsight, I was wondering whether you thought that death by a thousand cuts is worth it when maybe the best thing for Ireland was to actually let those banks fail and start anew? The other question is whether in these circumstances you would see the possibility of double-dip recession in Ireland?

**John Barry** — I’m convinced we are entering into double-dip recession and not just in Ireland. Oil is now back up to just under \$100 a barrel, a major determinant of volatility globally. In Ireland there was a lot of talk that we should have let the banks go to the wall and not bail them out and there is also talk of this fateful meeting in September 2008 which is the stuff of drama. You could imagine in the years to come somebody will do a documentary or a recreation of it. The banks basically said to government, ‘Listen, we can’t open tomorrow, give us the money’. It’s now clear that there was an element of creative ambiguity, that the banks weren’t fully honest with the Irish Government, and there is also now talk which more recently came out that the European Central Bank also had a major role in telling the Irish Government to bail out the banks. The bigger picture here is what Ireland represents for the Eurozone. You’ve got the PIGS economies: Portugal, Ireland, Greece and Spain. These are the most threatened economies. There was the fear of a domino effect; that Ireland might go to the wall in the way that Iceland did. Alongside the proposal letting

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the banks go to the wall there have also been proposals, perhaps most associated with the left in Ireland, of leaving the Eurozone, looking to Britain which although it suffered, hasn't suffered as much.

So in my view, I certainly think that we need a functioning banking system. With the levels of toxic debt sloshing around in the Irish banking sector, some of which could have been more safely sequestered, my real concern is that we have now socialised risk but not the benefits. Irish people now own large sections of their banking system and, as I and other commentators have proposed, why not transform some of these now state assets into a green investment bank to begin to connect with the other issue I mentioned, the major blockage now in the development of a low-carbon economy from financing and investment and so on. So my view is that there was a missed opportunity there to use the socialised banking system as a way of providing investment funds not just for small to medium enterprises, but also for the transition to a low-carbon economy.

**Question** — Is there anything in your studies to suggest that any of the politicians who are elected might have sufficient intestinal fortitude to bring to book some of those miscreants who purloined all the resources and would the judicial system be capable of handling the large numbers who would be involved? Has the rebellious fighting spirit gone out of the Irish completely in that they didn't respond like the Icelandic people had sufficient guts to do when they were faced with much the same sort of situation?

**John Barry** — I went to a high-level conference convened at Croke Park late last year at which the trade unions were represented and this question came up—the issue of why isn't the trade union actioning people Greek-style, as it was actually Greece rather than Iceland that was being used. David Begg, who is the most senior trade unionist in Ireland, intimated that on that fateful night in September 2008 it wasn't just the banks and the government that met it was the police and the army, that there were real concerns of social breakdown as a result of the collapse of the banking sector. You could see how that could add to reasons why in the heat of the moment for fear of social disintegration the government bailed out the banks for fear of something much worse. Regarding the fighting spirit of the Irish, you could say if you look below the formation of the coalition government there has been a decisive shift to the left. More people voted for left-wing candidates if you include Sinn Féin, Labour, independents and the more established far left parties than voted for Fine Gael. So there was an opportunity and you could say it is partly the strategic decisions that the Labour Party made because before they entered government recently some of their own backbenchers said 'listen, don't go into government with a centre-right Fine Gael government, they have enough numbers that with independents they could



almost have a single-party government' and that Labour should be leading the progressive left-wing opposition against the imposed austerity cuts. The discussions obviously came to nothing because Eamon Gilmore, Labour Party leader, is now Tánaiste, our deputy.

In terms of the malfeasance and crime, in Ireland there certainly have been police investigations into some of the corrupt and criminal activity of bankers and property developers. We haven't had yet the equivalent of what they have had in America, of seeing people in handcuffs being brought to court and going to jail. The current government, if you read its Program for Government, wants to put in place legislation to prevent what happened to stop some of these people going to court, they simply transferred their assets into their wife's name. There are a lot of famous cases in Ireland of people who actually did do something wrong but they transferred their assets into their wife's name so that they would be protected from the Irish state. I don't know if I should mention as well the closing down of tax loopholes. The Irish collapse in its tax revenues is not just to do with the collapse of the economy it is also about closing off tax havens which also need to be accounted for as well.

**Question** — Some would say it is a race between Ireland, Greece and Portugal to see who will be the first to fold but the indications are that there will be defaults. Do you think that's likely, and if that's the case, what kind of implications do you think there might be both within Ireland and, perhaps more importantly, for the financial system?

**John Barry** — Today in Europe our new Taoiseach, Enda Kenny, has to go to Europe to begin this inevitable process of restructuring the debt. My own view is that we are on the path to defaulting simply because there is no way, even with a good string of luck, that we could begin to address the sovereign debt issue. Ireland could do cuts very well but what's not clear is where the growth is going to come from. Here you are going to see major differences between the two parties currently in power because the Fine Gael party wants to cut public services whereas the Labour Party wants to put up the taxes. So there is a debate on which of those would stimulate the economy more. In other words, at the very time the economy needs some Keynesian counter-cyclical pumping of income into the economy, it isn't happening. My own view is that I don't think that there is a hope in hell of Ireland being able to keep up with its sovereign debt. It could use this to its advantage if it makes an alliance with the other PIGS, Portugal, Greece and Spain, and almost puts a gun to their own head where if we go down the Eurozone is going down. So what's happening now, and many people have argued this, is that for the sake of German bond-holders and the Eurozone, the Irish people are now bearing the burden for carrying the credibility of the European system. So I think there is going to be some very hard talking. All that has been talked about at the moment is maybe we can

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reschedule the interest rates. That was done back in November 2010. But I think there are going to be some major repercussions, that Ireland could actually use its weakness as an advantage if it makes an alliance with some other potential defaulters and then say ‘listen, we are going to rethink here’ because it is clearly unsustainable and in a financial sense Ireland is on the path to renege on its sovereign debt.

**Question** — What control system has Ireland in place now to ensure that this past financial event cannot happen again and what is the Irish education system doing to teach their young people how to use financial policies and services safely for their own future?

**John Barry** — There is a wonderful phrase I’d like to begin with: ‘She uses statistics like a drunk uses a lamppost—for support rather than illumination’. One of the most powerful skills our citizens need to learn is to understand not just basic economics and indeed basic science but also basic statistics because our political debate—and I’m sure it’s the same here in Australia—has become this bandying of figures. Growth in real terms has gone up, but most people don’t understand what that means. So I do think there is an issue in not just financial education and skills learning but also a basic understanding of maths and statistics. I’d certainly support that as a democratic republican. In a sense, this is how you empower citizens to pull apart the often arcane and frankly disingenuous way in which politicians will use figures in any way they want. In terms of the debt issue we need to separate out the sovereign debt and the banking crisis. They have become inextricably linked because of this debt guarantee problem. And it seems clear that the light regulation that went on in Ireland will not happen again. It will not happen across the world. One of the impacts of the global financial crisis is that we are going to have a much tighter separation of assets and investment banking and so on. So I don’t think that we are in immediate danger of returning to what we’ve had.

In terms of the role for Ireland it goes back to my main premise that I the fear that Ireland wants to go back to the model it had before. In other words what replaces buildings, banks and boutiques? What is the new development model? And there really is little real thinking beyond—a bit like Dorothy in the *Wizard of Oz*—clicking their ruby slippers wishing ‘Let’s go back to 2008. Let’s go back to 2008’. I think that’s quite characteristic of most governments across the world. My view is that this buildings, banks and boutiques model is a busted flush. It is a dead parrot. We need to move on and try and find something new. I’m not saying that I am suggesting that I know the answer. I think that the low-carbon green economy is an element of it, innovation perhaps, nano-technology, there are a whole range of options there, but the idea that we can return to what we had before is simply mischievous, misleading and mythical.

**Question** — Democracy as we see it now, with the representative system, is just not working. You know what happened in Australia, a hung parliament, a minority parliament. What do you think we can replace it with? We can't all be here like the ancient Greeks in the agoras every day. They went there and checked what the representative was saying. What do you think we should replace it with?

**John Barry** — I am a visiting fellow in a centre for deliberative democracy at ANU and it does seem to me that there are examples of not so much replacing representative democracy, but supplementing it. There are a range of options and I'll just throw out some. One is the idea of participatory budgeting. The most famous example is Porto Alegre in Brazil where ordinary citizens can decide on the priorities of a certain proportion of the municipal budget. It's not just about getting power, it is also about responsibility. I do think that there are things like citizens' juries and assemblies. I think we should draw the distinction between decision *making*, which should be made by elected politicians, and decision *recommending*. So I think there are a range of democratic innovations, institutional and other ones, more based on reinvigorating citizenship that we can look at. I would also say that the importance—although it can be overblown—of looking at modern communications technology in terms of engaging in a virtual forum of ideas. Because you are right, we cannot return to what we are engaging in here today—face-to-face debate and discussion, although that still can happen on specific issues.

Once you recognise that the system is not working, that we are citizens every couple of years when we vote in an election, and in between that we are simply taxpayers. But how can we reinvigorate a sense of citizenship? I wouldn't say it is about replacing our existing citizenship but supplementing it. But it begins by recognising that the system is broken, because if you don't think that it is broken you are just going to get a reaction that says we don't need any of these things. We've noticed an alarming drop in people voting in elections and I think that is quite a worrying proposal because what it means, as somebody who earned my political spurs as a politician in student union politics, is that in the vast majority of student union politics around the world (only five or 10 per cent are engaged in it) what you end up with is the extremes. And that's why I'm delighted to be in a country where you are obliged to vote because one of the things I say to people when they complain about the government is 'did you vote?' and it is amazing the amount of people who say 'well no, I didn't' and I say 'You've got no right to criticise'.