The Impact of Anti-crisis measures and the social and employment situation: Ireland

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Summary

This paper outlines the social and economic consequences of the anti-crisis measures adopted in Ireland since 2008. The paper attempts to put the Irish case in an international context, comparing its experience with that of other selected EU countries. The study will concentrate on quantifiable effects, and will as far as possible avoid speculation of the likely effect of anti-crisis measures which cannot as yet be quantified. It will draw on material available from Ireland’s central statistics office (www.cso.ie) and from Eurostat. One of the difficulties which arise is that authoritative data is only now becoming available; meaning that in many cases the latest data is for 2010. This means, for example that the most recent (and excellent) OECD study on inequality is of little practical use as it only covers the period up to 2009. It also means that the SILC data only covers the effect of three of the five austerity budgets.

Ireland was one of the poorest countries in Europe for many years. It had endured centuries of relative poverty, inequality and mass emigration. On joining the EU Ireland’s average income was 63 per cent of the EU average. It rose to 125 per cent and is still higher than the average, despite the depth of the crisis. Ireland had a deep economic crisis during the 1980s. In 1987, government, unions and employers agreed to work together to develop the economy and society, in partnership. This was remarkably successful. Total employment in Ireland and average disposable incomes doubled over 20 years and economic growth rose by 260 per cent between 1987 and 2008. Since the Crash of 2008, each has fallen back to the approximately the level of 2004.\footnote{1}

There have been four distinct periods of economic progress since 1987. First was one of sustained progress from 1987-1993 with GDP averaging 3.8 per cent but it was jobless growth. Yet the unions held their nerve as growth allowed real incomes to rise, as taxes were cut, with wage moderation. The next phase, 1994-2000 was the real Celtic Tiger era, where every economic variable performed at peak, and GDP growth averaged 9.1 per cent each year. The next phase, 2001-2007 was the Property Bubble when the government, together with sections of the business elite, destroyed much, though not all, of what had been built in the previous 14 years of exceptional progress. There was a false reading of GDP which averaged an apparent 5.5 per cent, but in retrospect, this official figure is misleading [Irish GNP and GDP figures diverge due to transfer pricing by multinationals based in Ireland, GNP is a more accurate measure of the health of the Irish economy]. The current phase is one of Crash and Weak Recovery. GDP has collapsed by over 13 per cent a year between 2008 and 2010, but the more accurate measure for Ireland (stripping out the impact of multinationals); GNP shows a much bigger fall of over 16 per cent in these three years. Domestic demand has been in free fall since the beginning of 2008. All forecasts over the past four years, with the exception of those provided by the Irish Congress of Trade Unions, have been repeatedly scaled down. Regrettably, our pessimism of a lost decade due to intense austerity appears to be likely to be borne out.

The state of the Irish economy and the reasons for its current fate has attracted much hyperbole. Even the normally reserved Financial Times twice referred to the relationship between the previous
government and the banks as having the attributes of crony capitalism. An accurate synopsis comes from the quasi-governmental Economic and Social Research Institute.

The Irish economy has seen a dramatic growth in government indebtedness over the last four years. Having been one of the EU economies with the lowest government debt burden in 2007, Ireland has moved to being one of the more heavily indebted economies. This turnaround has occurred as a result of the collapse in the property market bubble, the resulting implosion of the domestic banking system and the associated huge fall in domestic output. These related events have together added 70 percentage points to the debt/GDP ratio between the beginning of 2008 and the end of 2010.²

The severity of the banking crisis in Ireland, and in particular the previous government’s hasty and ill-considered decision to guarantee the liabilities of all Irish banks tipped the Irish economy into a fiscal crisis. The severity of that crisis robbed that state of the resources to introduce meaningful measures of fiscal stimulation. In addition the severity of the crisis meant that the outgoing government concentrated on fiscal matters to the exclusion of all else.

In accordance with the anti-crisis measures seen since 2008, unemployment in Ireland has risen steeply. The pattern of increase has been the same as that in Spain, and the weight of the increase has fallen most particularly on young workers. There are now two emerging problems on the employment front- one of youth unemployment and one of long term unemployment.

The Irish government has introduced five anti-crisis budgets since 2008 which have had the effect of severely depressing domestic demand. While the exporting sector has done well, the performance of this sector cannot be taken for granted, given international economic developments. In any event, the history of countries trying to deal with fiscal crises is that exports alone will not suffice to allow a country to recover. This can be seen in table 1 which shows the key role of domestic demand in promoting growth over the last two decades.

The social effects of the crisis have been mainly witnessed through unemployment. However there have been effects in other areas of the economy. Ireland has been the only country in the EU 27 to cut back on basic minimum income allowances. Evidence emerging from the survey on income and living conditions would indicate the inequality is rising, reversing the progress made in the previous decade.

The collapse of the property bubble combined with unemployment has placed a large number of homeowners in difficulties with repayments on their loans. While this has not yet resulted in a level of home repossession equivalent to that witnessed in the UK, it constitutes a significant emerging long term problem, especially for a society with a historically high level of home ownership.

**Economic background**

While there was some growth in 2011, GDP has fallen by 10.7 % from peak. GNP is a better guide to per capita income but even it barely rose and has fallen, by 15.3 % from peak. A far better way of evaluating real economic welfare is to examine domestic demand. Table 2 shows it fell by a massive 24.9 % in four years. Other indicators of falling demand include falling retail sales, falling tax revenue (when rate increases are excluded), falling employment (down by 306,000), falling employment participation (down from 64 to 60 %), rising emigration, rising long-term unemployment (now 56.3
%, rising under-employment (currently 25 %), rising business closures (up 20 % last year), and falling confidence, as orders fall per the purchasing managers’ index. The economic collapse is the main cause for this fall in domestic demand, followed by the failure of the private banks and the lunatic bank guarantee. But the last five Budgets, rather than helping, have made the collapse worse.³

The Irish trade union movement does not subscribe to the orthodoxy accepted in Irish government circles that the budget deficit must be reduced to 3 per cent of GDP by 2015. These dates are entirely arbitrary and these figures cannot be attained without doing permanent damage to our economy and society.

Irish economic orthodoxy is seeking a return to the policy adopted to deal with the debt crisis of the late eighties, where the case has been made that fiscal contraction brought about economic expansion in a phenomenon known to economists as the expansionary fiscal contraction hypothesis. The problem is that conditions are not like what they were in the late eighties, when Ireland had the benefit of two currency devaluations and the Single European Act which proved a magnet to American foreign direct investment. Also in the late eighties there was no synchronised global downturn. In addition, expansionary fiscal contraction requires easy access to credit which is ridiculous in the current climate.

An argument also being advanced is that the certainty induced by announcing an austerity programme and sticking to it will give people the confidence to stop saving and to spend money. This is related to the concept of ‘Ricardian equivalence’ and in contemporary Ireland is no more than a theoretical curiosity. I know nobody who thinks like this but I know plenty of people who are saving all they can because they are afraid of losing their job in six months’ time.

What of the stability and growth pact? For all practical purposes that disappeared in 2003 when it became clear that neither France nor Germany were willing to accept the rule that they should be fined by EU for running deficits larger than 3% of GDP. Proposals to introduce such sanctions now will be problematic from the point of view of moral legitimacy.

Unemployment

Ireland was one of the five countries in the EU where the rate of unemployment more than doubled during the current crisis. The other countries were Spain, Latvia, Lithuania and Estonia.⁴ The most up to date figures for measuring the social situation in Ireland are the monthly unemployment figures, known as the live register. This is an imperfect measure of unemployment as, for example it includes workers on short time. However it provides monthly up to date data, and is a reliable indicator of trends. The January 2012 edition shows that during 2011 the standardised unemployment rate hovered between 13.9% and 14.4%, averaging 14.2% for the year compared to 2010 when the average rate during the year was 13.7%. Between Quarter 4 2008 and quarter 3 2011 the labour force participation rate full by 3.2% to 67.7%. The current participation rate stands at 67.7% for men and 52.6% for women.

In a comparative perspective Ireland has one of the highest numbers of jobseekers per vacancy. According to Eurostat, there are approximately forty Irish jobseekers for every vacancy –
approximately twice the level prevailing in Spain, which is itself twice the level prevailing in the EU 27.

A major component in the increase in Irish unemployment was the collapse in the construction industry. This is reflected in the composition of the Live Register by occupational group, which recorded very little change over the year to December 2011. Craft and related (24.2%) remained the largest occupational group on the Live Register in December 2011 despite the fact that the number in the group fell over the year by 9,654 (-8.4%) to 105,180. The other significant compositional changes were found in the Personal and protective service group which increased to 11.9% and the Sales group which increased to 10.3% of the Live Register (both +0.6 percentage points over the year).

Both Ireland and Lithuanian experienced much the same reduction in the employment rate (roughly 7% among 25 to 64 year olds between 2008 and 2010). In Lithuania this led to an increase in the proportion of people living in zero and low work intensity households while in Ireland it led to an increase of just over 9 per cent. The implication is that in Ireland more than in Lithuania the people made unemployed were mainly men working in construction and manufacturing, either tending to live alone or in households where they were the sole wage earner. This table shows that Ireland had the highest increase in jobless and low work intensity household. While Latvia and Lithuania had greater decreases in full work intensity households, this was compensated to some extent compensated by an increase in the number of households with half or half to full work intensity. This phenomenon was entirely absent in Ireland. 5

**Division of those aged 25-64 by work intensity of households - selected countries change in percentage composition 2008 2010**

<table>
<thead>
<tr>
<th>Country</th>
<th>Jobless</th>
<th>Low</th>
<th>Half</th>
<th>Half to full</th>
<th>full</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>+5.8</td>
<td>+0.5</td>
<td>-0.9</td>
<td>+0.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>Lithuania</td>
<td>+4.6</td>
<td>+1.6</td>
<td>+2.5</td>
<td>-0.1</td>
<td>-8.6</td>
</tr>
<tr>
<td>Latvia</td>
<td>+5.5</td>
<td>+2.8</td>
<td>+2.5</td>
<td>+0.8</td>
<td>-11.7</td>
</tr>
<tr>
<td>Greece</td>
<td>+2.8</td>
<td>+0.9</td>
<td>-2.3</td>
<td>-0.5</td>
<td>-1.4</td>
</tr>
<tr>
<td>Spain</td>
<td>+4.1</td>
<td>+2.0</td>
<td>-2.1</td>
<td>-0.5</td>
<td>-3.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>+5.9</td>
<td>+3.2</td>
<td>-1.8</td>
<td>-1.3</td>
<td>-6.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>+1.5</td>
<td>+0.2</td>
<td>+1.3</td>
<td>-0.4</td>
<td>-2.7</td>
</tr>
</tbody>
</table>

A feature of Irish unemployment is the growth in Long Term unemployment and in Youth unemployment. The number of long term claimants on the Live Register in December 2011 was 180,798, giving an overall annual increase of 25,474 (+16.4%) in the number of long term claimants. This rate of increase in long term claimants has been slowing through the year with an annual increase of 57,597 (+55.9%) having been recorded in January 2011. In December 58.4% (253,986) of
all claimants on the Live Register were short term claimants. The comparable figure for December 2010 was 64.5% (281,755).

Young people under 25 years of age have been badly hit by the recession. In December there were 74,346 young people on the Live Register. Youth unemployment has trebled since 2008 with 1 in 3 young men fewer than 25 being out of work. The scale of the problem is masked by a big increase in numbers re-entering or staying in education and the numbers emigrating. This is shown in the most recent live register figures which show the numbers off persons aged under 25 on the Live Register falling to 17.1% in December 2011 from 19.9% two years earlier. However, the numbers of young people under 25 emigrating increased from 15,600 in 2004 to 30,000 in 2009. Sectors such as construction, retail and services where young people were heavily employed shed thousands of jobs. Between Q1 2008 and Q3 2009 youth employment in construction and manufacturing slumped by 63.6% and 47.4%.

**Migration**

The decade before the economic crash was characterised by high levels of immigration. In the four years following the opening of the Irish labour market to citizens of the accession countries in 2004, the Irish labour market took on a diversity that it took the German labour market forty years to achieve. According to the 2006 census, 7.4% of the population of Ireland were non Irish EU citizens. Not surprisingly, 40% were from the UK. However, almost the same proportion – about 100,000 people were citizens of Poland, Lithuania and Latvia, most of whom had migrated since 2004. While some of these people left Ireland since 2008, many did not. In December 2011 the number of Irish and non-Irish nationals on the Live Register decreased by similar percentages (-0.5% and -0.6% respectively). In December Irish nationals accounted for 82.5% (358,564) of the number of persons on the Live Register, which was the same proportion recorded one year earlier. It will be seen therefore that non Irish citizens show a higher propensity to be unemployed, reflecting their concentration in sectors of the economy which have been particularly hard hit such as construction, sales and personal services.

This rapid change in the labour market exposed the weaknesses of the Irish labour inspectorate, and following a sustained campaign by the unions an expanded labour inspectorate-NERA or the National Employment Rights Agency was established in February 2007.

A more recent characteristic of the Irish economy has been the resumption of emigration of Irish people. The destination of these migrants is mainly the UK, but significant numbers go also to Canada and Australia. It is interesting that the ‘pull’ of a common language even where a visa is required is stronger than the ‘pull’ of countries with common EU citizenship. (There is some anecdotal evidence that the same phenomenon applies to Portuguese migration to Angola).

In 2011 16,130 British national insurance numbers were issued to Irish citizens in the 12 months to the end of March, a 56 per cent increase on the previous year. In Australia, the number of temporary Irish residents increased by almost a third to 20,493 in the first six months of 2011. The number of Irish people employed on skilled work long stay visas increased by almost 50% in the six months to the end of June to 7,421, highlighting that more Irish emigrants are filling posts where skill deficits exist.
Canada issued 3,869 work permits to Irish citizens in the first six months of 2011, more than the 3,729 it issued during all of 2010. This compares to 3,047 permits issued in 2009 and 2,617 in 2008.

The US issued a total of 17,755 non-immigrant visas – covering students’ work programmes, intra-company transfers and other temporary workers – in the 11 months to December, a 22 per cent increase on the previous year. In the second half of 2011 Irish workers were arriving in New Zealand at an average rate of more than 400 per month.

76,400 people emigrated from Ireland in the year to the end of April, an increase of 16.9 per cent. The data indicate that, for the first time since the recession began, more than half of those who left Ireland during the year were Irish citizens. A total of 40,200 Irish citizens emigrated in the year to April, up from 27,700 in 2009/10 and 18,400 in 2008/09. There was also a 43 per cent increase in the number of women emigrating to 17,100.

Poverty and deprivation

Information on this has recently become available up to the year 2010 in the SILC. A number of indicators are used here, but a measure which is frequently used is the GINI coefficient. Income distribution has become more unequal between 2009 and 2010 and reverses the downward trend evident since 2005. Ireland is one of the four countries where recipients of social assistance payments nearly doubled during the crisis period. The other three are Spain, Lithuania and the UK.

CSO figures indicate that in the year 2010, average annual disposable income in 2010 was €22,168, a drop of 5.0% on the 2009 figure of €23,326. There was an increase in income inequality between 2009 and 2010 as shown by the quintile share ratio which showed that the average income of those in the highest income quintile was 5.5 times that of those in the lowest income quintile, compared to 4.3 one year earlier.

The at risk of poverty threshold decreased by more than 10% between 2009 and 2010, following a decrease of 3.1% in the threshold between 2008 and 2009. Although there was a decrease in the at risk of poverty threshold of more than 10%, the at risk of poverty rate rose from 14.1% in 2009 to 15.8% in 2010. In 2010 if all social transfers were excluded from income the at risk of poverty rate would be 51.0%, indicating a steady increase from 39.8% in 2004. This increase over time demonstrates the increasing dependence of individuals on social transfers to remain above the at risk of poverty threshold.

In 2010 the deprivation rate (those experiencing two or more types of enforced deprivation) was almost 23% compared with just over 17.0% in 2009. This increase was largely attributable to an increase in the deprivation rate, of those NOT at risk of poverty, from 13.7% in 2009 to 19.3% in 2010 while there was no significant change in the deprivation rate for those at risk of poverty. (The increase in deprivation for those not at risk of poverty was probably due to the amount of people on decent incomes but on massive property bubble mortgages) The consistent poverty rate was 6.2% in 2010, representing no statistically significant change on the 2009 figure.

The SILC figures also show the crucial role of social welfare payments in arresting the fall into poverty. Future editions of the SILC series will show the extent to which the cuts in social welfare rates imposed in 2009 and 2010 will impact on poverty levels. It is worth noting in this context that...
Ireland was the only EU country to cut basic social welfare rates as part of the anti-crisis measures. However in the preceding decade Ireland was one of the few countries which succeeded in maintaining or improving gross social assistance payment levels, the other countries being Portugal, Spain, Belgium, the Netherlands, Germany and Austria.

While the current government has promised not to cut basic social welfare rates – and has hitherto kept its promise- we cannot ignore the many small changes in the intricate mechanism of determining entitlements to social welfare payments which have the effect of cutting levels of payment while leaving headline rates untouched.

Wages and wage fixing mechanisms

While there has been a sustained attack on Irish wage fixing mechanisms since the crisis, the seeds of these attacks can be found in the success of the National Employment Rights Agency referred to above. This body commenced work in 2007 and exposed a wide range of mal practices mainly among small non-union employers who had become accustomed to operating under the radar. The effectiveness of the new body provoked a backlash from these small non-unionised employers, outside the established employer bodies. These employers succeeded in building a coalition of support mainly among conservative rural backbench members of parliament of the then governing party. In addition they mounted a series of legal challenges against the wage fixing machinery.

This resulted in a decision by the outgoing government to cut the minimum wage for new hires by 12.5% from €8.65 per hour to €7.65 per hour, for those commencing new contracts from February 2011. In fact many unscrupulous employers tried to illegally cut the wages of existing employees on the minimum wage. A large Dublin hotel chain sought to cut the wages of its existing workforce, in defiance of the law. Staff were called in and told that ‘in order to support the government’ they had to sign a new contract. Five women from Lithuania and Poland refused to sign, got in contact with their union and went on strike. This became a signature strike for the Irish trade union movement – and one which was cost effective given that only five people were involved. Pressure on the hotel's business was such that after about ten days the employer agreed to go the Labour court for binding arbitration. The court fully vindicated the women’s position – and awarded retrospective pay as compensation. Five brave women from Poland and Lithuania played a key role in shaping Irish industrial relations.

The decision to cut the minimum wage was an egregious decision unsupported by any economic evidence, but as they say, ‘In war, truth is the first casualty’. Only 3.1% of the employed labour forces - about 47,000 were paid at or below the minimum wage. The minimum wage was often described as the second highest in Europe, sometimes by economists who seemed unfamiliar with purchasing power parity theory. Even in on the crude figures, the Irish minimum wage was the fourth highest in Europe when one takes account of the Irish standard working week of 39 hours. In the election of March 2011 the then opposition parties promised to reverse the cut in the minimum wage. The election resulted in the return of a Fine Gael (Christian Democrat) Labour coalition who complied with their promise and reversed the cut in the minimum wage. This can be counted as a positive achievement of the trade unions during the crisis period.
On the broader question of wage bargaining, since mid-2008, the Irish price index fell for twenty three of the last forty one months. This is terra incognita for wage those involved in collective bargaining, and has not been experienced since 1922 when the post war boom burst or after 1929. ‘Not a minute on the day not a penny off the pay’ is a slogan from that period but it is the slogan of the British miners before they went down to a historic defeat in 1926. Bargaining in an era of falling prices is unknown to us. We have no template so it is difficult to classify the recent agreed cut of 7.5% in the Irish construction sector. It is not a victory, but given that the employers’ demand was for a 20% cut it is hardly a defeat either.

In late 2009, faced with a worsening exchequer figures, the public sector unions came forward with a proposal for short time working in the public sector. This was based on the model adopted in Romania. A draft agreement was hammered out which came very close to acceptance. However there was a revolt of back bench legislators – in the main the same forces who had opposed all labour market regulation in the aftermath of EU enlargement. The cabinet split and the draft agreement was rejected.

Tiered wage cuts were imposed in the subsequent budget as follows:

- a 5% cut in the first €30,000 of salaries;
- a 7.5% cut in the next €40,000 of salaries;
- a 10% cut in the next €55,000 of salaries.

At that point social partnership collapsed, all meetings with government ceased. In fact the social partnership process had been atrophying since the inception of the crisis, and was being blamed by some conservative commentators as one of the causes of the crisis. The unions had been in a position of having access without influence for some time. The central forum for deliberative social dialogue, the national economic and social council had been effectively stood down by the government, its term of office having expired, and the council never met during much of the crisis period.

While the national social dialogue process remained in limbo, unions embarked on a coordinated campaign of industrial action across the entire public sector, and in Spring 2010 the public service unions and the government re engaged. In June 2010, the Public Services Committee of the Irish Congress of Trade Unions) backed what has become known as the ‘Croke Park’ agreement. The agreement, negotiated at Croke Park, Ireland’s premier sports stadium, means a four-year pay freeze and commitments by the government not to implement compulsory redundancies and to maintain existing pension arrangements. In return, the trade unions agreed to a ‘transformation’ programme, expected to yield major productivity improvements and efficiencies – as well as a broad commitment to maintain industrial peace. The range of workers affected by the deal includes civil servants, health workers, teachers and employees in the security services.

So where does social dialogue stand now in Ireland? The institutions remain in place, with the tripartite dispute settling mechanisms functioning as normal. The National Economic and Social Council has recently been reconstituted while the newly elected government has initiated discussions to reinstitute a form of social dialogue. This process, however, remains in its infancy.
The first period of the crisis – from 2008 until late 2009 was characterised by an attempt to engineer an internal devaluation through the cuts in public sector salaries and in the minimum wage. The last time there was such intensive downward pressure on wages was during the depression of the 1930’s and in the wake of the bursting of the post World war one boom. Unions therefore had to adapt quickly to this new defensive role. The effect of their efforts is only now becoming apparent. Average hourly earnings stood at € 21.53 in quarter 1 of 2008 while in quarter 3 of 2011 they stood at € 21.64. This would have been a bad result in normal times, but it is a creditable outcome in the face of economic adversity and a sustained offensive by some employers.

A question that is often put is ‘why didn’t the Irish riot?’ Instead of rioting they unconsciously took the advice of a famous Irish American politician and mayor of Chicago Richard j Daley when he said ‘forgive your enemies but write down their names and addresses’. The Irish electorate did just that in election of March 2011 when in an election with a high turnout forensically dissected the Fianna Fail party, and wiped out their junior coalition accomplices the Green party. So great was the opprobrium attaching to the old government that half the outgoing ministers didn't dare face the electorate and of those who did only two were re-elected. The Fianna Fail party had never been out of power for two terms and which had been in power for all but fifteen of the last eighty years is now reduced to a depleted husk of its former self. That this fate should have befallen a party whose grip on power was rivalled only by the Communist Party of the Soviet Union gives food for thought for those who ask what the limits of austerity are.

**Summary**

The current economic crisis began in Ireland before almost two years before that EU / ECB / IMF bailout. Since the bailout took place there has been an effective loss of sovereignty, and a set of conditions attached to the programme which are monitored by quarterly visits. The troika meet the unions on each of their visits. It has been our experience that the IMF are more pragmatic than the EU and the ECB, whose representatives seem to be driven more by fundamentalist neo liberal ideology than by anything else.

The official view of our current economic situation is that exports are the key to the resolution of our economic problems. Even a cursory look at table 1 will show the role of domestic demand in Irish economic growth and Irish domestic demand has collapsed. It is true that exports are currently performing well, but the growth rate is likely to moderate in 2012. Nevertheless there will be a balance of payments surplus in 2011. While the bond rates have fallen from the high rates experienced in summer 2011, this does not make much difference for ordinary Irish citizens. It is the domestic economy that is the key to recovery. Rogoff and Reinhart conclude in *This Time it’s Different* that it is simply not possible for a country to recover through exports alone. The current policy mix being imposed on Ireland through the troika would seem set to ensure that the current rate of 14. % unemployment will continue for the foreseeable future, and with an unemployment rate at that level, a domestic recovery is difficult to envisage.

The austerity programme in place since 2008 and reinforced by the EU / ECB / IMF has imparted a huge deflationary shock to the economy. It has put the domestic economy on a life support machine. There is no growth, and without growth there is no way that a surplus can be accumulated to pay down the debt. The whole process is self-defeating.
There are many ways of looking at Ireland’s economic predicament. The proposition that exports will lift the economy is clearly getting more and more difficult to believe as a world recession looms. Ireland is a small country trying to argue an economically rational position in the face of entrenched neo liberal ideologists in the EU and the ECB. In such an argument the blind faith of ideologues will trump the most rational and convincing argument. The EU / ECB position may, with historical hindsight be compared with the fetishisation of the gold standard in the 1920s by some politicians which had the effect of making a bad situation worse. The mandate of the ECB is to combat inflation, but one of the main symptoms of Ireland’s economic malaise is in fact deflation, an economic phenomenon unknown since the twenties and thirties of the last century. Ironically the malign role of neo liberal ideology in shaping the current crisis has been acknowledged by the IMF’s representative to Ireland:

_Ideology also played a role. There was a belief that “light-touch” regulation and market discipline would suffice to ensure efficient and stable financial markets. The crisis proved this belief was wrong. Mechanisms of self-regulation and market discipline—such as corporate governance, internal risk management, private audits, and discipline by creditors—failed to prevent the build-up of risk. Market players also anticipated bailouts of “too big to fail” institutions. In addition, in many countries including Ireland, authorities wrongly considered that macroeconomic risks and unsound bank behaviour were not sufficiently alarming to require assertive policy responses._

There is a more recent precedent for Ireland in the suppression of domestic demand in order to pay debt- this is the case of Caucescu’s Romania in the 1980s’ where economy and society was sacrificed for almost a decade in order to pay off external debt. While this is a depressing prospect, it seems now to be an accurate one.
TABLE 1 Source Economic Research Unit

Components of real GDP (% points) including projection to 2015

- External Demand
- Domestic Demand
TABLE 2 Source Economic Research Unit

Irish Domestic Demand (€bn Qterly)
Web links

CSO – live register link homepage can access SILC / QNHS


CSO earnings data 2008- 2011

http://www.cso.ie/quicktables/GetQuickTables.aspx?FileName=EHQ03.asp&TableName=Earnings+and+Labour+Costs&StatisticalProduct=DB_EH

ICTU pre budget submission October 2011

http://www.ictu.ie/publications/fulllist/growth-is-the-key-pre-budget-submission-2012/

European Foundation for Living and Working Conditions – Ireland

http://www.eurofound.europa.eu/eiro/

IMPACT Ireland’s public sector union

http://www.impact.ie/iopen24/-t-297.html

SIPTU Ireland’s largest union on recruiting migrant workers

http://www.siptu.ie/media/video/equalitycampaigning/

EU / IMF / ECB memorandum of understanding with the Irish Government

Sources

In addition to the web links cited, the following sources are acknowledged


3. Sweeney, *Ireland’s Economic Collapse*


5. *The social effects of employment developments across the EU in the crisis* Ward, Ozdemir, European observatory on the social situation, November 2011.

6. The Irish Times - Thursday, December 29, 2011


9. Ibid., p.7