

# Ireland in crisis

## “All changed, changed utterly”

THE IRISH government, the European Union (EU) and the International Monetary Fund (IMF) are preparing to turn Ireland into a wasteland. Rarely if ever in the history of capitalism will the working class have experienced such highs and lows over such a brief time frame. From the promise of the Celtic Tiger boom to the intense insecurity of a great depression. The hopes of escaping from a past of poverty and emigration have turned out to be a mirage.

**Kevin McLoughlin,**  
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“These are the times that try men’s souls. You will no doubt hear a great number of stories respecting the situation of this country, its present unfortunate state is entirely owing to treachery, the rich always betray the poor.” These were the words of Henry Joy McCracken following the betrayal of the 1798 uprising by the “men of property”

21 November, the day the Irish government formally applied for a bailout to the EU and IMF, should be marked as the day that the Irish capitalist class was exposed as a rotten failure, bankrupt in every sense and incapable of offering any way forward. This is a turning point in Irish history which will impact on other countries in Europe and on the EU itself.

The failure of the capitalist establishment to provide for the needs of people has provoked the bitter comment that we’d be better off giving the keys back to Britain and apologising for the mess! This black joke is becoming reality.

A bailout was inevitable, it was only a matter of when. But the government was bounced into it now at the behest of the sharks in the markets and the EU. This bailout is not about solving the crisis in Ireland. It and the new austerity programme that is coming will make the crisis much worse. Working class people in Ireland are being prepared as the sacrifice so profiteers can make more profit and in the hope that the Euro and the EU can be maintained.

### Unemployment

GERMAN LEADER Angela Merkel talked recently of ‘orderly insolvencies’. But this process will be convulsive. The EU has forced Ireland into this bailout to save the Euro and the EU. In future they could force Ireland or other countries out of the Eurozone altogether, to safeguard their own capitalist interests. The existence of the Eurozone cuts of €15 billion that the government has already imposed.

In a country with a workforce of less than two million, 450,000 are unemployed. The official figure is not beyond half a million only because very high levels of emigration have returned. With mass unemployment and attacks on pay, mortgage arrears are growing very quickly and indicate a new crisis for the Irish banks.



The potential exists for a huge struggle by Ireland’s workers.

photos Socialist Party Ireland



The weakness of the banks was a vital factor in provoking this bailout. Notwithstanding the government’s bank guarantee, probably more than €25 billion worth of deposits have been taken out of the Irish banks this year in a flight of capital, with the bulk since September.

Despite earlier bailouts, the banks do not have the necessary capital to be reliably solvent and they were not able to borrow on the commercial markets this autumn. Instead they borrowed huge amounts from the European Central Bank (more than €90 billion) and from the Irish Central Bank (€20 billion). Irish banks currently hold 20% of all the monies loaned out by the ECB.

The prospect of the banks recovering was inextricably linked to a recovery in the property market and the economy generally. That hasn’t happened and in fact will be undermined further by the new IMF/EU austerity programme. More so even than in Greece, British, French and German banks have very significant amounts of loans tied up in the property market and banks in Ireland and a banking collapse here had to be avoided.

At the same time the value of the Euro and the interest rates being charged to Spain and Portugal were also adversely affected by the instability surrounding Ireland. A delay in acting, which was a feature of the EU during the crisis in

Greece, was not an option. The nervousness about contagion is a real indication that the fundamentals of the European economy and the EU are unsound.

It looks like this bailout will be between €80 and €100 billion. Britain and Sweden have also offered direct loans to Ireland. There are indications that the EU/IMF will hand a large amount of the money to the Irish banks who will then give it straight back to the ECB to pay off some of the €90 billion plus they borrowed. The remaining amount will be held by the government to help fund its own budgeting requirements.

At the stroke of a pen, the EU and ECB will get a lump sum back but also a huge additional payment in increased interest. This loan may be cheaper than on the bond markets but it’s far from cheap. The original money that the Irish bankers borrowed from the ECB was at an interest rate of 1.5%. This money in this bailout will most likely be charged at an interest rate of 5-6%! The EU has basically renegotiated the terms of its own loan to Ireland and given itself three or four times the interest rate, robbing the working class again.

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minister) Brian Cowen said that there would be €3 billion cuts in this December’s budget. The government over the last weeks doubled its proposed cuts and is now talking about a staggering €6 billion of cuts, to be followed by another €10 billion before 2014!

This was the austerity plan hatched before the EU/IMF bailout. Now there is speculation about what conditions the EU/IMF will impose on top of these vicious attacks from the Irish government. Whether the EU would force the Irish government to scrap its very low 12.5% rate of corporation tax has also been a big issue.

The EU/IMF may not immediately force huge additional attacks on top of the government’s austerity proposals and the scrapping of the terms of the Croke Park trade union partnership agreement. Both the EU and the IMF have had officials in the Department of Finance for many months and undoubtedly they have already been instrumental in pushing the government to double its proposed cuts since September.

There is also likely to be increased taxes imposed on ordinary people. This will be the fourth and biggest austerity budget yet, to be followed by at least another three. By 2014 they aim to have cut over €30 billion from the budget, which, if they are successful, would be practically a 50% reduction on the budget of 2007! The pain of such cuts would be unprecedented.

Crucially, the EU and the IMF now have the power to enforce additional conditions on this or any future Irish government. They will undoubtedly insist on a destruction of pay and jobs and attacks on the working class generally. There is talk of cutting 20,000 plus jobs from the public sector. Just as the bailout was being announced the minimum wage was lowered.

This neoliberal slash and burn policy could cause a deflationary spiral to develop. The cuts being proposed are part of a plan to reduce the current budget deficit from 32% of GDP to 3% by 2014. This plan is based on an assumed growth rate of more than 2% over the coming years.

There is a collapse of investment. Such growth will be impossible with such draconian cuts and that will cut government

revenue further. In turn the EU/IMF is likely to demand more cuts to compensate for the lack of growth! Far from overcoming the debt crisis, this plan will not work and is likely to result in a spiralling debt crisis.

The idea being touted in the media that people will accept the EU/IMF and the austerity package, relieved that finally someone will take the hard decisions, is completely off the mark. The entry of the EU/IMF is a confirmation of the working class’s worst fears. While hoping for the best, it’s been clear that most people knew that the crisis was getting worse. That the EU/IMF are now centrally involved will deepen people’s sense of foreboding.

The disgust of the working classes is mainly focused at the government and the ruling party Fianna Fáil. The bailout and the pressure from the markets and the EU and IMF makes it likely, though not guaranteed, that December’s budget will be passed, despite the government’s waiver thin majority. But this government of Fianna Fáil and the Greens has no credibility and is now finished.

### General election

THE GREENS have said they will vote for the budget but then in early January will demand that a general election takes place in late January. This has completely destabilised the situation.

All forces, including backbench TDs [MPs] and independents, are now manoeuvring for advantage. The government could even collapse and a general election be held before Christmas, but without agreement on a budget or the three to four year austerity programme. The political situation is now a mess and extremely unstable.

Fianna Fáil, along with their builder and banker friends, is seen as being primarily responsible for the economic crash. In the general election in 2007 they got 42% of the vote. An opinion poll conducted just before the bailout gave them an historic low of just 17%.

Fianna Fáil, who have dominated politics in Ireland since the foundation of the state, will be decimated in the general election. The hatred and contempt that exists towards them is tangible.

Before this bailout the trade unions, under pressure from the working class, had called for a pre budget mass mobilisation in Dublin on 27 November. It was always likely to be big but this demonstration could now be huge. It will show the potential that exists for a huge struggle against the government, the EU and the IMF and their austerity policies. Depending on what happens, the demonstration itself could alter the situation, destabilise the government and create the conditions for struggle which the leaders may find difficult to sell out again.



Joe Higgins, Socialist party MEP for Dublin, puts forward a working-class solution.

photo Paul Mattsson

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The desire to fight was shown in the mass demonstration of over 100,000 in Dublin in the middle of February 2009, which led to discussions on the need for a general strike. There were mass rallies around the country at the start of November 2009, followed quickly by the one-day strike of over 250,000 public sector workers on 24 November. But the trade union leadership was able to cut across and sell out the desire for a generalised movement that was developing in the working class.

The arrival of the EU/IMF can have a shocking effect initially. But the unions will be faced with a stark choice, either reflect the deep anger that exists or be pushed to the side. The TEEU union, which organised the successful week-long strike of 10,000 electricians a couple of years ago, has said that it thinks civil unrest, the likes of which hasn’t been seen in decades, is on the cards.

This bailout by the EU/IMF is a watershed. The shift in consciousness that had already been evident in the last months will be given a profound impulse as people, young and old, search for real solutions.

People’s lives are being destroyed so the banks can be maintained and bond holders get huge profits. This will create

the conditions that will create revolutionaries. The extreme and brutal policies of capitalism will provoke an extreme response.

The Socialist Party will intervene into this crisis with a programme to point the way that workers and youth can fight back and the urgent need to build the socialist alternative.

The coming general election will be historic because of the hammering that Fianna Fáil will get. This may even raise a question over its existence. Undoubtedly the EU and IMF will interfere, albeit behind the scenes. But their hopes for a stable political outcome will not materialise.

### Opposition parties

OPPOSITION PARTIES Fine Gael and Labour are set to win a decisive majority, with the possibility that Labour could become the biggest party for the first time. Labour seems at least set to achieve its highest vote ever.

Some commentators are speculating that so serious is the situation, that pressure will be exerted on Fine Gael to switch after an election and seek a coalition with Fianna Fáil, if the two parties had the numbers, rather than with Labour. What seemed certain just a couple of months ago, in these new conditions is less certain. However, it remains most likely that Labour and Fine Gael will form the next government.

Regardless of what exact role the EU or the IMF play, a new coalition government will not have any honeymoon to speak of and will quickly be a government of crisis. Labour in power will badly disappoint people and the vacuum for a force on the left could become very pronounced.

In this situation if there was a fraction of left/socialist TDs in the parliament, even three or four, they could act as a lightning

conductor for the anger and radicalisation that is growing. They could have an opportunity to launch a new mass workers’ party.

In order to maximise the chances of getting a fraction of left/socialist TDs elected, the Socialist Party, with others, has established the United Left Alliance (ULA) which will stand a slate of candidates in up to 20 constituencies across the country.

It is clear that the Labour Party is set to do very well and that could put a squeeze on the Socialist Party and the ULA. However, the fact that this four year austerity plan is likely to be agreed before the general election will mean that the basis of the election will have shifted.

The election could well be dominated by the issues of the austerity plan and the EU/IMF and less so the need to replace Fianna Fáil. Regardless of who is in power, people may feel that the policies are already determined. This may make the election more open than it otherwise would have been.

This poses a new difficulty for Labour and potentially a new opportunity for the genuine left. Labour is likely to go along with the austerity plan, even though they will try to sound reluctant about it.

Sinn Féin will oppose the plan and attempt to tap into the mood but is compromised on these issues. Inherent in its argument is that the cuts should be implemented over a longer time frame. Also Sinn Féin has imposed cuts while part of the Northern Ireland Assembly.

In this situation, the launching of the United Left Alliance could dovetail with the emergence of harder opposition amongst the working class. We have to maximise the potential for a breakthrough for the left on a principled basis. We will build support for mass struggle and a socialist solution to this unprecedented crisis for Irish capitalism.

### The Socialist Party is fighting for:

- \* **A one-day general strike as the start of a programme of escalating industrial action to defeat the government/EU/IMF austerity plan.**
- \* **For students and school students to organise now for strike action against fees, austerity and for a decent future.**
- \* **Don’t pay the debts of the Celtic Tiger profiteers, don’t pay the bond holders.**
- \* **Tax the super rich and big business.**
- \* **For the nationalisation of the banks and finance houses under the democratic control and management of working people, and the introduction of capital controls to prevent a flight of capital.**
- \* **No to privatisation. Take all privatised services back into public ownership.**
- \* **No reliance on investment from the markets to revive the economy. Immediately take the key wealth and resources into democratic public ownership.**
- \* **Run the economy to provide the jobs and services that people need, not for super profits of a tiny minority.**
- \* **For the launching of a new mass party for the working class and a genuine left/workers’ government, committed to socialist policies.**
- \* **For solidarity and a united struggle of workers and young people across Europe against EU/IMF austerity and against the dictatorship of the markets.**
- \* **For a socialist federation of Europe.**