

Ireland: Drowning in Private Debt

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Presentation to the International Monetary Fund

Washington

Friday 15th February 2013

Introduction

There is little or no recovery after five years of austerity in Ireland, especially when judged by the key factor of unemployment. Ireland does appear to be on target to reduce its budget deficit to 3 per cent. But at great cost to the rest of the economy and to society.

Last week's deal by the Irish Government on the private bank Promissory Notes is most welcome and will give a boost to confidence in Ireland. However, it was a deal which should never have had to been done and it should not have *totally* protected the private bank creditors of the two dead banks, Anglo Irish and Irish Nationwide. There should have been burden-sharing by the private creditors who were stupid enough to lend to these banks.

Ireland has institutionalised the "Geithner Doctrine" which is that top banks must not fail and that no bondholder will be left behind.¹ The Geithner Doctrine is deep-rooted in EU governments, as Ireland has shown.

The Minister for Finance used an elegant metaphor in explaining his deal on the Promissory Notes. He talked of the mortgage on his own home and said he had turned a harsh term loan into a long term mortgage and by the time it will be fully repaid, it will not be so costly. What is missing is that he at least has a home. The Irish citizens get little or nothing for their payments.

Ireland will now get up to 40 years to repay the debts of the private banks and at lower interest rates. But our 1.8 million at work will repay over €35bn, which is more than the total tax paid last year (€33.7bn) in Ireland. For this we will get absolutely nothing in return – not one school building, not one teacher nor even a hospital bed. Such deal may satisfy the ECB and the EU, but it undermines respect for democracy.

Last Saturday, two days after this deal was done, Congress still organised 110,000 demonstrators in six cities in Ireland to protest against the bank debt and austerity. We can cope with public debt, but merging private into public debt is galling. It undermines democratic states. It has institutionalised a perverse market economy, where some private entities are still too big to fail and the taxpayer is the default position.

¹ Leading economist Morgan Kelly said that in December 2010, "at a conference call with the G7 finance ministers, the haircut (of Irish bank bondholders) was vetoed by US treasury secretary Timothy Geithner who, as his payment of \$13 billion from government-owned AIG to Goldman Sachs showed, believes that bankers take priority over taxpayers. The only one to speak up for the Irish was UK chancellor George Osborne, but Geithner, as always, got his way. An instructive, if painful, lesson in the extent of US soft power, and in who our friends really are" Irish Times, 11 May, 2011. Geithner was worried that if Ireland refused to repay bank bondholders then, according the UK Daily Telegraph (10 June 2011), "that could have spread contagion to the entire European system, to which American-backed "credit default swaps" were exposed to the tune of €120bn."

Ireland's economic collapse in 2008 was not due to poor competitiveness, nor to public sector profligacy, but to gross irresponsibility by a small elite in the private sector, operating within what had become an ultra-liberal economic system. It was the private banking collapse, which the government foolishly under-wrote which brought Ireland down. Commissioner Rehn demanded, in Latin, "pacta sunt servanda" and in English that the Irish taxpayers "respect *your* commitments and obligations."²

But these debts are not ours, but those of the private defunct banks, which our sacked previous government guaranteed, in our name, without our consent. Prior to this, European banks queued up to lend to our reckless banks, while the ECB looked on benignly. Tax policy – cutting direct taxes on incomes and profits, tax breaks especially for property investment and tax-shifting – also contributed substantially to Ireland's current economic crisis. The third factor was de-regulation.

Context: A Brief Overview of Recent Irish Economic History

There have been four distinct periods in recent economic development in Ireland, each lasting seven years, since 1987. Overall they made up an extraordinary period of change, with Ireland moving Ireland from one of the poorest of the poor to one of the richest, and then the government with some of the business elite destroying much, though certainly not all, of the great progress in the 1990s.³

1. Jobless Growth, 1987-1993.

The first was one of sustained progress from 1987-1993 with GDP averaging 3.8 per cent but it was jobless growth. However, the trade unions held their nerve as growth allowed disposable real incomes to rise, as high income taxes were reduced, with wage moderation.

2. The Real Celtic Tiger, 1994-2000.

The next phase, 1994-2000 was the real Celtic Tiger era, where every economic indicator performed at peak, and GDP averaged 9.1 per cent each year and employment and productivity soared.

² Irish Times, front page 14th March 2012.

³ For more detail on the first two successful periods, see Paul Sweeney, "The Celtic Tiger, Ireland Economic Miracle Explained," Oaktree Press, 1998. For a look back, see Paul Sweeney, "Ireland's Economic Success, Reasons and Lessons" New Island, 2008, and while well aware of the bubble, as the title implies, the author did not anticipate the Crash, nor how bad it would be.

3. The Bubble, 2001-2007.

The next phase, 2001-2007 was the property Bubble when the government (elected in December 1997) with sections of the business elite, destroyed a great deal, though far from 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 a great exaggeration.

4. The Crash and Recovery, 2008 – 2014.

The current phase, Crash and Recovery (sic?), 2008 - 2014, is no longer in crash mode, but neither is it in recovery. Nominal GDP has collapsed by almost 17 per cent between 2007 and 2012, but the more accurate measure for Ireland (stripping out the impact of multinationals [MNCs]), GNP shows a much bigger fall of over 22 per cent in these five years. While there has been marginal growth of both last year and this year, the key is the performance of domestic demand. Domestic demand has suffered a staggering collapse of 26 per cent in just five years and is still in decline. Good performance by exporters has boosted GDP, but the export sector, largely owned by MNCs, does not have great linkages into the rest of the economy and less impact on unemployment (now 14.6%).

There had been - apparently - large Budget surpluses (current account) for no less than ten years to 2008. That was in spite of large cuts in income tax, in corporation tax, in capital gains taxes and in inheritance tax. In fact, the aggregate surpluses on the current account totalled a staggering €58bn in the decade (total tax receipts peaked at €47.2bn in 2007).

Thus the main thrust of fiscal policy was very pro-cyclical, with few opposing it, nor the tax shifting which exacerbated it. Of course, the tax base had been shifted from direct taxes to an unsustainable dependence on spending taxes (much of it now based on property) and stamp duty. Thus much of the tax base, which had shifted from sustainable and progressive direct taxes, was to collapse after 2008, when the property bubble finally burst.

Congress and Ireland's Crash

Congress took a very contrary view to the liberal economic orthodoxy of rational expectations and free market fundamentalism that was dominant in Ireland from the mid 1990s. Over the years of the boom, Congress advanced a competing vision for this country and argued that the low tax, low regulation model was not sustainable. We may have been in Social Partnership but we were ignored on economic strategy. Yet we opposed the thrust and principle of Government policy in several key areas:

Firstly, Congress opposed the pro-cyclical policies of tax cuts during the boom and sought certain, higher direct taxes.

Secondly, we opposed 'tax shifting' – changing the structure of the tax system – whereby *direct* taxes were reduced and we became dependent on potentially unstable consumption taxes.

Thirdly, we opposed the increased provision of 'tax breaks' (or tax expenditures) for property investment.

Fourth, Congress said the government should end 'economic growth for growth's sake' and refocus on integrated economic and social *development*.

Fifth, Congress and its member unions were strongly critical of deregulation and privatisation.

Sixth, Congress was also strongly critical of the behaviour of banks and the financial services sector, in short financialisation, at a time when most commentators seemed utterly in thrall to them. This was particularly true, with regard to the explosion in top executive pay, which was driven by perverse, short-term incentives that encouraged reckless lending by banks and the briefly humbled Masters of the Universe.⁴

After the Crash of 2008, almost alone, Congress opposed the unattainable three year period of recovery to reduce the deficit as "too brutal and too quick." Government insisted they were correct, but were forced to revise their target when the EU Commission 'suggested' it be extended. We argued from the start that the five year period was still too short and the lack of progress on recovery and especially on jobs indicates we are correct.

If Congress was at fault, it was because we were too muted, too polite, in our opposition. Many thought that as part of Social Partnership we actually shaped policy and that cuts in direct taxation were part of our agenda. Some academics have even asserted this.

During the boom, Congress did seek increased public spending as there was considerable growth in population and apparently in tax revenue. This was to enhance the social wage, through better public services.

⁴ For a comprehensive review of Congress' contrary position to the orthodoxy which brought down the Irish economy, see our submission to the Investigation into the Banking Crisis, May 2010 at <http://www.ictu.ie/publications/fulllist.html>

When the Trade Unions first met the IMF, ECB, and EU Troika in late 2010, when Ireland was placed in Examinership, we pointed out that Ireland has many core strengths, but that the bailout package agreed by the Government with them made the economic recovery very difficult. We said that the deflationary impacts of the measures in the package are such that growth has little chance of reviving. This has been proven to be correct.⁵

The Limits of Austerity

In this section we will demonstrate why austerity is failing by looking at key economic indicators, with the focus on the most important, employment. Congress has argued that the bailout package made economic recovery more difficult than it needed to have been. The level of the adjustment and the mix of the cuts and taxes (2:1) is wrong and should be reversed. The deflationary impacts of the measures in the package are such that growth has been negligible and this not largely due to the recession in Europe.

However, those economic factors which are positive will be examined first.

The **deal on the Promissory Notes** agreed on 7th February 2013 which will of significant benefit to Ireland. Secondly, the Government is on track to meet its **fiscal deficit targets** so far. The key and almost singular area of interest to the Troika is that Ireland meets its fiscal target of 3% by 2015. The Irish government has met all targets set out by the Troikas in each review since end 2010. To achieve this target €24bn has been taken out of the economy by end 2012 and a further €9bn will be taken out in the next three years. This is equivalent to cutting over a quarter of our GNP.

Thirdly, **Irish exports are holding up** and the Balance of Payment is in surplus. Exports are driving what little growth we have. After six quarterly declines to end 2009, exports have been rising. This is not a great achievement as Ireland's exports are largely non-cyclical, being ICT, pharma and food.⁶ Labour costs in many exports are not significant. However, imports are down (by 25% from peak) as people have little to spend on them. The Balance of Payments are now healthy with a big surplus

⁵ Unless one believes the technical definition of “the end of recession” as being a few recent quarters of very weak growth in GDP. It will take many years to make up for the fall at current rates of “growth”, especially with citizens’ taxes diverted to fund the extraordinarily expensive private bank bailout. The end of a recession is when there is a sustained fall in unemployment.

⁶ If the 10,000 workers in the Irish meat processing industry were to get a 30% pay hike in the morning, it would do nothing to damage the competitiveness of the industry in comparison to the damage wrought on the sector by a few firms who put horsemeat in the food chain. *Competitiveness* is a poorly understood word, especially by many economists, who confuse it with short term movements in unit labour costs.

of exports over imports. But it is due in part to imports collapsing, due to lack of domestic demand.

A fourth positive factor is that the rate of **interest on 10 year bonds** is down and will stabilise after the deal on the Promissory Notes.

Productivity is also up substantially ie unit labour costs were down by 23% since mid 2008 (real HCI) and this has been achieved without a fall in averaging hourly earnings for most workers (i.e. it was achieved without a painful internal devaluation for labour). Thus it is due to a) less people at work; b) better use of capital and labour; c) to the decline of low productivity construction and on the other side to d) the dependence on apparently high productivity multinationals, due perhaps in some measure to transfer pricing.

The fifth positive factor is that the **Purchasing Managers index** continued to rise. Sixthly, the level of **inflation** at end 2012 was slightly lower than it was in 2008. Prices fell by -4.5% in 2009 and again by a lesser -1% in 2010 but rose since then. Prices are rising by 1.2% now and are likely to pick up.

Moving from *the positive to neutral* we look at **incomes**. In spite of two cuts in the pay of all public servants averaging 14%, average hourly earnings in the total economy have not fallen in real terms. It was seen that the previous government tried an experiment in Internal Devaluation. It cut public service wages and the minimum wage by a massive 12%, expecting that private sector wages would follow.

This did not happen and private sector earnings have been relatively stable. About 24% of employees have had pay rises, c. 22% have had cuts and most have had no or little change in hourly earnings. The number of hours worked has dropped and so weekly earnings including overtime and other premium payments had fallen slightly. However, the latest data saw weekly earnings rise by 1.1% in the year to Q3, 2012. We have seen that productivity has risen substantially since the Crash of 2008.

A recent study of how employers dealt with the total wage bill found that there had been cuts, but “however, these cuts were primarily achieved through employment reductions with relatively low contributions at the aggregate level from changes in average hourly earnings and average weekly paid hours.”⁷

This relative stability in real incomes of those who kept their jobs since the Crash of 2008 has also been extremely important in ensuing that the huge collapse in domestic demand – of one quarter in five years – was not worse. This is because

⁷ Walsh, Kieran “*Wage bill change during the recession: how have employers reacted to the downturn?*” Statistical and Social Enquiry Society of Ireland, February, 2012
http://www.ssis.ie/wage_bill_change_ssis_kw_9feb_v5.pdf

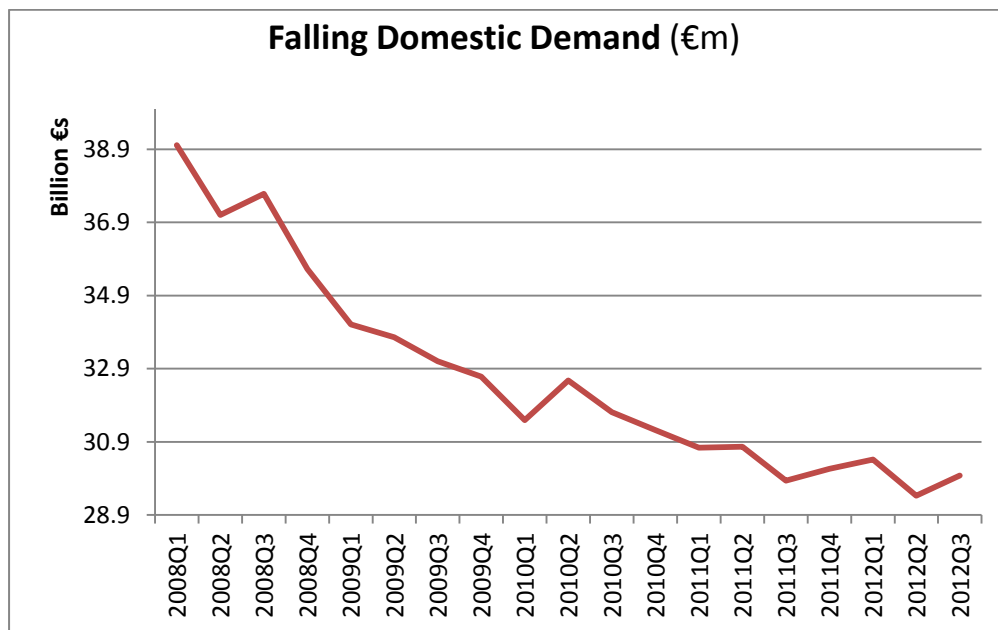
averagely paid workers generally spend most of their incomes. The last government also cut the minimum wage by 12 per cent but the new government reversed this immediately. It also did not cut welfare rates and there is a deal with the public service whereby there will be no further pay cuts (two of which had averaged 14 per cent) provided there is support for substantial change, which is occurring.

These are all important indicators of performance, but others factors are far less impressive.

Economic Growth

The **economic growth figures**, either GDP or GNP, have been scraping along the bottom for some years, which is better than the collapse. The next chart (Fig.1) shows the fall in **domestic demand**, which is so important for employment. It is still in decline.

Figure 1 Domestic Demand has Collapsed.



Source: CSO: National Income A/cs.

Most conservatives have focused on the one positive economic development which is the performance of Irish exports. Exports have performed very well, but exports alone are not sufficient to pull the economy out of recession when domestic demand is being driven down by domestic economic policies.⁸ Without growth there will be no new jobs. Without new jobs, generating incomes, taxation and confidence, the burden of austerity could overwhelm us.

⁸ Congress would not agree with the overly strong emphasis on exports leading the recovery and on the extremely narrow definition of competitiveness in the recent IMF (Working Paper 13/35) on Ireland by Mwanza Nkusu, although we would agree that a pickup in external demand is critical.

The large gap between Ireland's GNP and GDP is growing and rose from 14/16% to 27% of GDP. Thus GDP appears to be faring much better but it is a poorer indicator of welfare for Ireland.

A key part of the lack of demand is due to the flatness of wages. The reversal of the cut in the Minimum Wage did help. The government sought "reforms" of wage setting mechanisms the Employment Regulation Orders (EROs) and Registered Employment Agreements (REAs), and instructed the Labour Court to undertake the review with an academic economist who was to assess their impact on jobs. He found that most had minimum impact on jobs. So this dialogue was reasonable.

However, some of Ireland's wealthiest employers in the fast food industry, the Quick Food Alliance⁹, successfully fought a case to the High Court to abolish the Joint Labour Committee in the fast food industry and Employment Regulation Order of the Labour Court which had set the minimum pay and conditions of workers outside Dublin, as unconstitutional. The law courts are blunt instrument in dealing with industrial relations as the outcome is generally stark. The effect of the judgement is that while all JLCs remained in existence their EROs became unenforceable and ceased to apply. As a result the National Employment Rights Authority (NERA) could not enforce the minimum pay and conditions of employment prescribed in EROs in force at the time of the High Court decision. The Government amended the legislation in response to the court ruling. A review of the JLCs is taking place now and the unions await the outcome before they determine if the legislation meets the requirements of workers in these sectors.

Public and Personal Debt

The socialisation of the bank debt has pushed Public debt up and it was 118% GDP at end 2012 and will peak at around 121% in 2013. On top of high public debt, private debt is very high too. Household net worth has fallen by 37.7 per cent since the peak in Q2, 2007. Household debt is at €180bn or €39,999 per household. As a ratio of disposable income, it stands at 210 per cent though it has reduced from its peak at 220 per cent in Q3, 2011.

Very Low Investment

A real worry must be the extremely low level of investment in Ireland. Total Irish investment is the lowest in the EU27 member states in 2012 at around 9 per cent of GDP compared to an average of 18.5 per cent. Ireland is even below Greece at 12 per cent. It may fall further in 2013 with the 2013 Budget cutting the Capital Programme by a further €0.55bn, though the Central bank thinks investment will begin to grow - but not until 2014. This very low level of investment in Ireland does not auger well for the future.

⁹ Burger King, Supermacs, Eddie Rockets, Subway, The Bagel Factory and Abrakebabra.

Employment is the Key Indicator of a Successful Economy

Unemployment is very high at 14.6%. This is up from 4.3% for many years. Employment peaked at 2.1m but is now down to 1.77m. The number of unemployed was 325,000 persons at Q3, 2012.

Emigration is taking the heat of increased unemployment. The number of job losses was 360,000 down from peak in 2007. 87,000 people left Ireland in year to April 2012 and 53,000 entered, leaving a net figure of 34,000.

Labour market participation is down as people are staying at home or in education. A key indicator of unemployment is those who would like to work but who stay in education or at home because they are discouraged workers. The total of those who would like to work was up to 25.6% at end September 2012 as Figure 2 shows.



Source: CSO: Indicators of Potential Labour Supply in QNHS QNQ32.

We have seen that industrial employment has been in decline each year since the Crash of 2008 and it has not stabilised yet. If we are lucky, we may stabilise on job losses in 2013.

However, the real issue here and in Europe is that there is a growth of precarious employment, as the following graph (Fig 3) shows. As full time jobs declined – rapidly and by 360,000 since peak in 2008 – there was a rise in part time employment. Indeed, one could believe that many once full-time jobs had become precarious jobs. It can be seen that the rise in part time jobs was around 15 per cent while full time jobs fell by over 21 per cent.

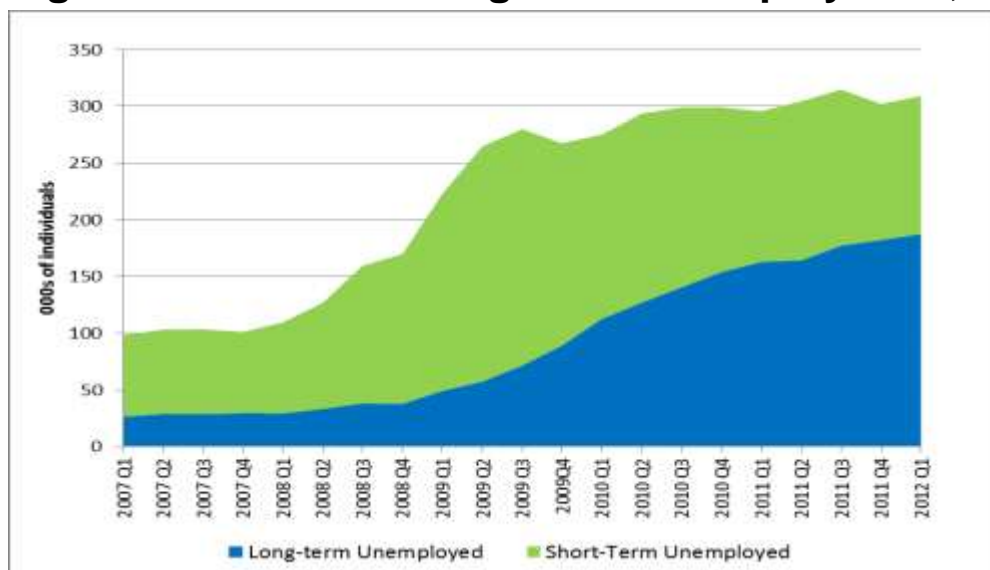
Figure 3. Growth in GDP, GNP, Full-Time & Precarious Employment



Source: CSO National A/cs & QNHS.

This growth of long term unemployment is illustrated in the following graph.

Figure 4. Growth in Long Term Unemployment, 2007-12



Source: CSO & M Collins, NERI

The future outlook is hardly encouraging. It appears to be for more or less jobless growth, according to official data including the IMF as Table 1 below (labelled 8) shows:

Table 1: Unemployment Projections and Estimates of the Unemployed, 2012-2017

	2012	2013	2014	2015	2016	2017
<i>Unemployment projections (% of the labour force)</i>						
IMF	14.8	14.4	13.7	13.1	11.5	10.6
Dept. of Finance	14.3	13.6	12.8	11.7		
Central Bank	14.7	14.4				
ESRI	14.8	14.6				
	2012	2013	2014	2015	2016	2017
<i>Estimate of numbers of unemployed people* (000s of individuals)</i>						
IMF	302.3	289.6	274.8	260.0	238.9	219.9
Dept. of Finance	302.3	287.5	270.6	247.3		
Central Bank	310.8	304.4				
ESRI	315.0	310.8				

Source: NERI QEO Autumn (2012:9) and M Collin's calculations.

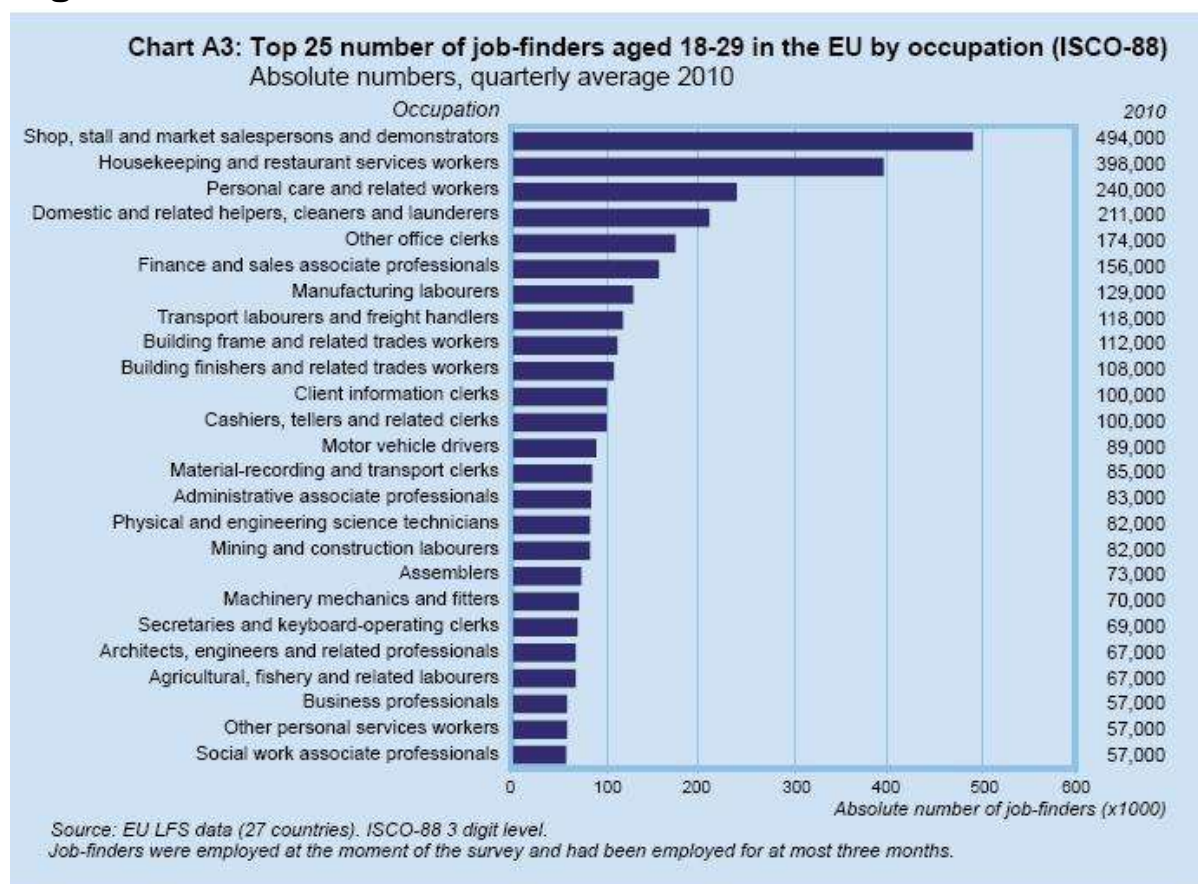
Note: Estimate assumes the labour force remains constant to 2017 at the average level for the four quarters of 2011 (2,113,975 individuals).

The key issue is how are we dealing with the unemployment problem? The shift to active labour market policies is welcome, but we in the unions constantly ask, what is the point in training people when there are few jobs? We are constantly told by workers who have been trained that it is really demoralising when they end up with no jobs after "training".

Policy should be informed by the existing situation, its likely duration and the composition of the workforce. All economic forecasts in recent times do appear to be overly-optimistic and that should inform a realistic outlook on employment.

Figure 5 below shows that the jobs being created and found by young people in Europe are not exactly high-paying, with most jobs being in catering, shop work, personal care and domestics.

Figure 5

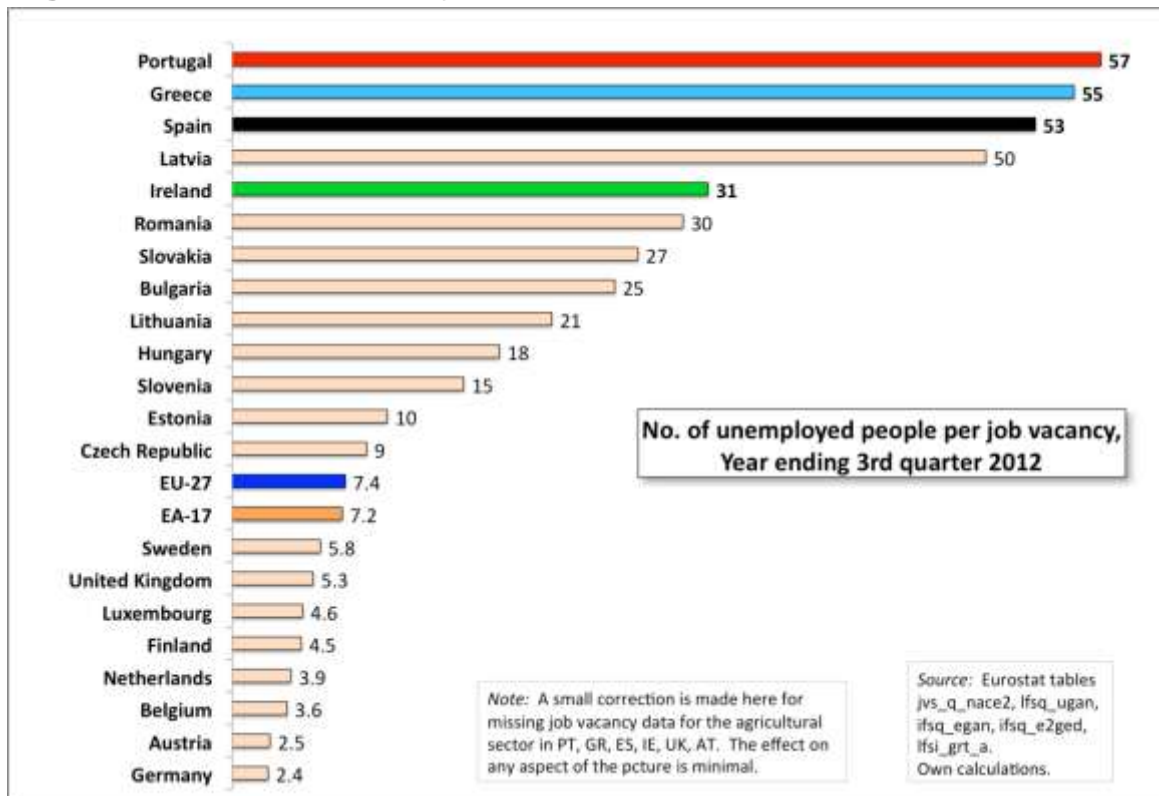


Source: EU Vacancy Monitor Jan 2012

In 2010, the latest data available, on average approximately 4.9 million people aged between 18 and 29 found a job in the EU27. Interestingly, the top four occupations for young people in 2010 were the same as for all age categories. While these jobs have relatively ease of entry and so offer prospects for new entrants (youth) to the labour market, they are not the best jobs. Significantly, 23 of the 25 top jobs for young people were also in the top 25 occupations in terms of job-finders for all age categories.

An important indicator is the job vacancy rate. The chart below (Figure 6) show that there are 7.4 unemployed per job vacancy in the EU27, but in Ireland, there are 31 unemployed. It is not as bad as Portugal, Greece, Spain and Latvia, but this scale of unemployment is at a dangerous level.

Figure 6 Vacancy Rate in European Countries 2010.



If all the jobs were filled instantly, 30 of the 31 in Ireland would still be unemployed. i.e. there are so few jobs that no amount of training will have a significant effect. This illustrates the depth of the crisis; it would be different if we were close to full employment.

In conclusion, this indicator of growth and employment reinforces the view that it is demand which is required.

What Should be Done?

Ireland Has Many Core Strengths

Ireland has many core strengths. It has a well-educated workforce, albeit with too many unemployed, skills are being lost, there is high emigration and very high debt, much of the public which was run up as private corporate debt. It one of the most open economies in the world; we export a high proportion of our GDP and these

exports are high value added and are largely recession-proof, and include a high proportion of service exports. We are running a balance of payments surplus. The programme of public sector reform is progressing well.

In spite of the severely damaged reputation of Irish business, the World Bank listed Ireland as 9th best place to do business out of 183 countries. Taxes are extremely low on business and employers' social contributions are amongst the lowest in the world.¹⁰ Ireland has a barrage of state agencies devoted to assisting businesses. The rise in productivity (ULC) and on the much more useful wider definition of competitiveness¹¹, Ireland performs very well, though there are issues with our international reputation for business, and also serious problems for domestic firms in access to credit and also due to the collapse in domestic demand. The official "pro-business" culture was so uncritical that it contributed in a major way to the economic collapse and to the collapse of many viable businesses too. That mind-set needs to be addressed.

This relative stability in real incomes, in welfare rates and in public employment is the key to the explanation of why there has been no rioting in Ireland, despite our travails. In the circumstances, these are equitable income and welfare policies.

It is crucial that the core EU economies which are performing well should act in solidarity and not in punishment to the underperforming peripherals.

The best action would be an EU-wide coordinated stimulus. There is no shortage of social and infrastructural needs and refurbishment in Europe. But the cut in the EU Budget last week does not auger well for such intelligent action at EU level. However, large countries may yet take action, individually or in concert.

A Common Fiscal Policy in Europe (and a coherent Banking Union) is key to addressing inequality, sorting out the banks and boosting demand by underwriting an EU-wide stimulus programme. It may begin with a small budget overall, but a small budget in EU terms is still a lot of cash.

It would be preferable to have tax coordination¹² rather than harmonisation where member states may set rates within bands, though a common tax base for

¹⁰ Congress has repeatedly called for the Government to ensure that the corporate sector contributes to the recovery with higher effected taxes. It has not contributed one red cent extra. It was not yet asked to by Government. Nor do we see low social contributions as a virtue.

¹¹ See for example the excellent reports of Ireland's National Competitiveness Council, which provides a clearer definition the misunderstood and abused word "competitiveness" which some economists even believe it can be reduced to short term movements in unit labour costs! <http://www.competitiveness.ie/>

¹² Sweeney, Paul, 2010, "Ireland's Low Corporation Tax: The Case for Tax Coordination in the Union." Transfer, European Review of Labour and Research, ETUI.

companies makes sense in a single market. This means that Ireland's low Corporation Tax regime should be re-negotiated as part of the deal on the socialised bank debts as we move towards greater fiscal union. The Irish government is making a policy error in its undying defence of its low Corporation Tax rate and against the FTT, while it simultaneously seeks assistance on Ireland's unsustainable bank debts.

So what can the IMF as a key part of the Troika do to further assist the Irish people? It is the view of Congress that the IMF has been the least negative member of the Troika in Ireland, with more pragmatic view of what needs to be done. However, there are some issues on labour market "reforms" with which we are unhappy.

It is our impression that the IMF would have insisted that the Irish people should not carry the total burden of the banking adjustment alone. Regrettably, the ECB, while moving considerably from its initial position, has insisted that the Irish Government/taxpayer repay the bank bondholders in full, in order to safeguard the European banking system. Last week's deal on the promissory notes on the two dead banks, while a great improvement, still means the bondholders are left untouched.

While the EU banking reforms are progressing, it is unclear whether they will go far enough to address the Geithner Doctrine that no big bank must fail nor any bondholder must be left behind. It is vital that the sovereign and public debts are separated and that Europe assists Ireland on its socialised debt. We are being punished for being the first in dealing with our failed banks and for the foolishness of the government which guaranteed all the creditor as well as the depositors of the banks. The people threw that government out for that and for its appalling economic policies, which squandered much of the real sustained progress of the Celtic Tiger period.

Without a significant deal on Ireland's €64 billion bank debt burden, there is little chance of economic recovery in the near future.

As Congress' General Secretary, David Begg, has said: "The penny hasn't quite dropped yet on the bank debt, particularly the absurdity of expecting a small economy with a workforce of just 1.8 million to pay a bank debt of €64 billion. It is unjust and unpayable," Mr Begg said.

Figures from Eurostat¹³ show that Ireland has paid more for the bank crisis than any other EU state. So far, the bank bailout has cost us €41 billion, while Germany – with an economy almost 20 times our size – has paid €40 billion. We have also paid more than the UK, France, Portugal and Spain.

¹³http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/supplementary_tables_financial_turmoil

The Irish people's recent experience of capitalism is that when wealthy bankers and bondholders take risks that fail, the public bails them out. Combined with the decline in labour's share of national income over the past three decades, economic policies and governance must change fundamentally.

While the IMF is not in favour of domestic stimuluses¹⁴, especially in crisis countries, there is a strong case for an EU-wide action for a stimulus. The IMF commendably revised its multipliers in the light of the depth of the recession and other factors and this means that a stimulus in Europe would work very effectively in reducing its vast unemployment of 26.06 million.

However, the lack of interest by the European elite in dealing with the vast level of unemployment in Europe threatens its institutions, including democracy itself.

¹⁴ In contrast, Congress has formulated and sourced non exchequer financing for a €3bn domestic stimulus for Ireland for three years in "*Delivering Growth and Jobs*," July 2012.