EU "rescue" operation for Ireland heralds deepening euro crisis

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18 November 2010

After two days of crisis meetings in Brussels, European finance ministers dispatched a team of officials from the European Commission, the European Central Bank and the International Monetary Fund to examine the books of Ireland's banks and prepare the way for a "rescue" plan that will shred Irish political sovereignty and impose even more savage attacks on the working class.

The European and IMF intervention is being dictated by global bankers, who are seeking to offload huge losses from the meltdown of Ireland's banking system onto the Irish population and establish a precedent for similar "stabilization programs" in other heavily indebted countries in Europe and beyond.

In recent weeks, financiers and speculators have bet massively against the debt of both the Irish government and the country's essentially insolvent and nationalized banks, partly in response to a proposal made in October, and since withdrawn, by German Chancellor Angela Merkel that any future bailout in Europe impose greater losses on private bondholders.

The cost of borrowing has soared not only for Ireland, but also for Portugal and Spain, raising once again the specter of a chain-reaction of bank and sovereign defaults that would likely spark a collapse of the world financial system. The threat of a breakup of the single European currency, which receded last spring with the bailout of Greece and the establishment of the €440 billion European Financial Stabilization Facility (EFSF), has once again emerged.

EU Council President Herman Van Rompuy on Tuesday declared, "We're in a survival crisis," and warned that the future of the European Union was at stake. German Chancellor Merkel said, "Everything is at stake. If the euro fails, then Europe will fail, and with it fails the idea of European values and unity."

The European debt and euro currency crisis is itself a concentrated expression of a broader global crisis. The crisis moves by the EU follow by only days the failure of the G20 summit of leading economies in Seoul to resolve growing economic imbalances and increasingly bitter currency and trade disputes, particularly between the leading deficit country, the United States, and the biggest surplus nation, China.

The post-World World II system of world economic relations is breaking down, driven in the first instance by the vast economic decline and decay of American capitalism. The growth of centrifugal forces tearing apart the European Union and its single currency is one expression of this international crisis.

In particular, tensions are mounting between those countries with a relatively low level of debt and currently enjoying growth—such as Germany and the Netherlands—and a host of other countries saddled with mounting debts and economies either in recession or stagnation, i.e., Ireland, Portugal, Greece and Spain.

In another indication of growing tensions, the Austrian government threatened on Monday to delay its share of the next tranche of emergency loans to Greece because Athens had failed to meet its agreed deficit reduction target. EU member Slovakia has already refused to take part in the €110 billion rescue, arguing that it is even poorer than Greece.

One week earlier, the European parliament failed to pass its budget for 2011 following objections raised primarily by Britain and the Netherlands.

The Irish government had resisted demands by the eurozone countries and the European Union as a whole that it formally apply for a bailout by the EFSF. It had done so for both economic and political reasons.

The EU, led by Germany, has made it clear that in return for a bailout package estimated at €80 billion, Ireland will lose control over its fiscal and economic policy. The republican nationalist Fianna Fail government—and the entire Irish bourgeoisie—is particularly concerned over calls from some European governments that Ireland be forced to raise its bargain basement corporate tax rate of 12.5 percent.

Dublin also objects to the high level of interest—8 percent—on credit repayment demanded by the EU. While lower than the inflated rates charged by international bond markets, it is sufficiently onerous to bind Ireland to the EU, the European Central Bank and the IMF for decades to come.

From the mid-1990s to 2008, Ireland used its low tax rate to attract investment from overseas, particularly from the US. The country—dubbed the "Celtic Tiger"—recorded high growth rates as speculative money flowed into its banking system, fueling a real estate bubble that burst two years ago, exposing the basic insolvency of the banks.

Foreign banks poured money into Ireland and made bumper profits during the boom. They are determined not to pay the price of the bust, but rather to pass the cost onto the Irish people, who are to be made to pay for a bailout of the Irish banks through unemployment even higher than the current 13.9 percent and even more brutal cuts in wages and social programs.

With just 4 million inhabitants, Ireland has already slashed over €14 billion from its budget since 2008 and plans a further €15 billion in cuts over the coming four years. Per head of population, this total is four times the magnitude of the huge cuts introduced recently by the Conservative-Liberal Democrat Cameron government in Britain.

Recent weeks have seen a wave of deposit withdrawals from the major Irish banks, which are now totally dependent on loans from the European Central Bank for their survival. Foreign banks have huge investments in these banks, with Britain having the biggest exposure—140 billion pounds, according to new figures from the Bank for International Settlements. But German, French and US banks also have tens of billions invested in Ireland's banking system.

The Fianna Fail government also has political reasons for appearing to reject EU and IMF demands that it accept their bailout offer. Holding a narrow majority in the parliament, it faces a crucial by-election on November 25 and is under attack from the conservative Fine Gael party, which is accusing it of ceding Irish sovereignty and caving in to the EU and the IMF.

Fianna Fail Taoiseach (Prime Minister) Brian Cowen hopes to hold out until after the by-election and after his government presents its 2011 budget in December. However, on Wednesday, he and other government officials publicly signaled their inevitable acceptance of a package dictated by the banks—through the EU, the IMF and the European Central Bank—by welcoming the team of officials who will examine the books of Ireland's banks beginning today.

While Cowen called it a "technical" mission and reiterated that Ireland had not applied for a bailout loan, Irish European Affairs Minister Dick Roche was more forthcoming, admitting that "the market has not responded" to the government's initial round of austerity measures, and adding, "We've taken hard medicine and we are prepared to take more."

In an editorial published Tuesday, the *Financial Times* gave an unusually frank assessment of the basic social policy underlying the EU-IMF plan for Ireland. Arguing that the scheme will only intensify the European debt crisis, the newspaper wrote: "It would also give an official EU imprimatur on Europe's dirty secret: public treasuries will do anything to make private bank creditors whole."

The "dirty secret" of which the *Times* speaks is the class policy being pursued in every country—from the US to Europe to Japan and Australia—in response to the financial breakdown of 2008: the looting of public funds to pay off the gambling debts of the global financial elite.

In a grim editorial published Wednesday, headlined "Europe Heads Back into the Storm," the *Financial Times* warned that the Irish crisis is only the prelude to a wider collapse.

"Only months after congratulating itself on a narrow escape," the newspaper wrote, "the eurozone is again hurtling back toward contagious defaults. Its fumbling approach to the explosive instability of the Irish banking system leaves little hope that the other ticking bombs with which Europe's economies are riddled are going to be disarmed in time.

"Ireland's basic problem is that it now has to choose between its own sovereign solvency and the solvency of its banks. Other European countries—in and out of the eurozone—may soon face the same choice. In such a world, keeping banks afloat with public capital risks sinking the sovereign—and with it, the whole banking system."