Financial oligarchy dictates terms of Irish bailout

Jordan Shilton
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The €85 billion bailout agreed on Sunday evening between the European Union, International Monetary Fund and the Irish government will enforce the demands of the financial elite through the further impoverishment of the working class. It will ensure that those responsible for the current crisis are protected from any losses, while state finances will be raided once again to bail out insolvent financial institutions.

Negotiations were held throughout the weekend, with fears that failure to secure a deal by the opening of trading on Monday would precipitate a market collapse—driven in particular by concerns over bondholders being made partially liable for bank debt. This was explicitly ruled out, although a vague commitment was made by EU member states to consider imposing sanctions on bondholders after 2013.

Even such a limited proposal was too much for financiers. As European Central Bank policy-maker Christian Noyer warned, “As far as I’m concerned, I exclude that there will be haircuts [for bondholders] in the future. It will be a major objective of all members of the EU to do everything necessary to be in a position to fully honour their debts in the future. I exclude this as an eventuality even if it’s legally possible.”

The bailout for Ireland will see €67.5 billion in external assistance, €45 billion of which will come from the EU and €22.5 billion from the IMF. The remaining €17.5 billion will be raised from Irish state finances, including the removal of €12.5 billion from the national pension fund—a move which will reduce its value by more than half.

The bailout imposes a crippling interest rate of 5.83 percent, the repayment of which would cost Ireland as much as a fifth of all tax receipts. To make things worse, the terms of the agreement provide for rates to vary according to market conditions, making the repayments potentially far greater.

The terms will be enforced by means of regular “reviews” of Ireland’s progress, which will take place quarterly. This will mean that whoever sits in government in Dublin will impose the demands of the financial oligarchy under the threat that installments could be withheld.

At least €35 billion of the fund will be used directly to prop up Ireland’s bankrupt financial institutions. This includes an immediate injection of €10 billion, along with a further €25 billion “contingency fund” in case losses increase. NAMA, a state agency set up to manage bad loans popularly known as the “Bad Bank”, will assume responsibility for a further €16.6 billion in bad debt, including agricultural and property loans from Allied Irish and Bank of Ireland.

The full extent of the debts confronting Ireland’s banking sector remain unknown, and such sums will only be the beginning of higher levels of financial support. This would come from the remaining €50 billion of the bailout, which has initially been earmarked to cover “government expenditure”.

The loans have been coupled with terms that permit Ireland to take an extra year—until 2015—to reduce its budget deficit to 3 percent of GDP. This in no way indicates a lessening of austerity measures—quite the opposite. The reason given in the agreement for the extension is a downward revision of projections for economic growth. Given that the cuts outlined in last week’s four year plan by the Fianna Fáil-Green Party government were predicated on growth predictions which are now overestimates, austerity measures must be adjusted accordingly.

The bailout agreement concretises many of the proposals outlined in last week’s four-year plan, binding any future government to a 12 percent or one euro cut in the minimum wage, workfare measures, as well as spending cuts across the board. The plundering of the pension fund will mean that the income upon which many would have relied in later life will either be sharply reduced or removed altogether.

EU Economic and Monetary Affairs Commissioner Olli Rehn confirmed that the measures contained in the agreement would not be up for renegotiation, stating that the use of the pension fund, the interest rates and the levels of austerity were “key parts” of the deal which he would “not advise” reopening for discussion.

A number of so-called “structural reforms” will ensure that public money is channeled directly into the coffers of the financial elite and away from public services. A “fiscal responsibility law” must be implemented, which will cap spending in each government department on a yearly basis. In the event that extra funds are raised by the state, this must all be directed to debt reduction.

A Budgetary Advisory Council will be created, the task of which will be to provide an “independent” assessment of government figures. This will prove to be yet another means for imposing vicious cuts on the working class.

While ordinary working people will suffer the devastating consequences of the deal, the bailout ensures that the financial speculators whose criminal activity brought about the crisis will escape unpunished.

There are no provisions contained in the agreement to make bondholders pay a single cent towards the debts. In fact, such a course is explicitly ruled out for Ireland. At the press conference announcing the terms of the deal, Taoiseach (Prime Minister) Brian Cowen stated that the failure to impose any of the burden on bondholders was due to the fact that no “political support” for this existed within Europe.

Finance Minister Brian Lenihan claimed, “In the course of these negotiations I did raise the issue of senior debt [held by major investors], and the unanimous view of the European Central Bank and the commission was no programme would be possible if it were intended by us to dishonour senior debt because such a dishonouring of senior debt would have huge ripple effects throughout the euro system.”

The *Financial Times* commented that Ireland had “refrained” from taking action “that could have sent further shocks across the eurozone”—a telling reference to the power exerted by the speculators over all aspects of economic and political life.

The *Times* attributed this agreement by Dublin in particular to the “behind-the-scenes role played by the Frankfurt-based European Central Bank, which had “strongly opposed forcing writedown on Irish banks’ senior bondholders”.

Contradicting himself, Lenihan also said in Brussels, “As far as senior bondholders are concerned, I’ve always made it clear that as long as we were in the markets, senior debt was fundamental for Ireland.”

The threat of contagion has not been halted by the bailout, however. Although markets responded positively in early trading on Monday, shares later fell back. The euro reached its lowest level in two months. This was amid increasing fears that Portugal will require a similar bailout, a move which could force Spain in the same direction. EU officials have admitted that existing funds would not be sufficient to cope with a Spanish bailout.

There is growing speculation amongst commentators that the main opposition parties, Fine Gael and Labour, have initiated talks with a view to forming a coalition government after elections in January.

Stephen Collins wrote in yesterday’s *Irish Times*, “Fianna Fáil will be fighting for its very survival in the election and has little or no hope of being back in office unless the main Opposition parties refuse to work with each other. That is highly unlikely for both historic and contemporary reasons, and all the signs are that Fine Gael and Labour are already preparing to share power in a new coalition.”

Whatever the outcome of the elections, however, the austerity measures directed at the working class will continue.

The main opposition party, Fine Gael, has raised certain criticisms of the bailout plan, while agreeing with all the fundamentals of the austerity program. The party’s Enterprise spokesman, Richard Bruton, expressed “concern…that the banks could receive an extra €35 billion, and all of that is going on taxpayers’ shoulders.” He also pointed to the rising cost of credit as a result of the bailout.

Fine Gael has, however, already committed itself to the framework of the cuts outlined in the government’s plan last week and the EU/IMF bailout. The party most likely to head a new government after elections early next year, it has made clear that it would not flinch from implementing devastating austerity measures.

Labour leader Eamon Gilmore was also critical of the deal, calling it a “national sell out”.

Labour is nevertheless positioning itself to enter the government, and it will play its part in carrying through the austerity measures. In response to the four-year plan, Gilmore reasserted his fundamental agreement with budget cutting, stating that he would not seek to overturn cuts that would be imposed in a Fianna Fáil government, but would instead consider measures on a “case by case” basis.