# Ireland votes "Yes" to fiscal treaty amid deepening economic crisis

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Yesterday's referendum in Ireland on the European Union's (EU) fiscal treaty passed with 60 percent voting in favour. But a vote portrayed as guaranteeing Ireland's economic future will do nothing of the sort. Coming amid dramatic share falls throughout Europe and internationally, the vote was overshadowed by fears of recession and the very survival of the euro.

Far from representing a popular endorsement of the measures contained within the fiscal compact, the vote reflected only the effects of a campaign of intimidation based upon claims that economic catastrophe would follow a "No" vote. This was combined with the lack of any real alternative offered by the "No" campaign's own strategy, based upon efforts to extract concessions from the EU with a show of opposition.

The lack of any enthusiasm for the treaty was shown in the extremely low turnout, which barely surpassed 50 percent of the electorate—meaning that less than a third of eligible voters endorsed the treaty.

As the results were announced on Friday afternoon, stock markets internationally were in free-fall. On the eve of the vote, the EU Commission issued a warning over Ireland's ability to deal with the mountain of bank debt which was taken on by the state in 2008.

The commission noted that although Dublin had met all of its interim targets of its bailout programme, "challenging market conditions and the deteriorating quality of remaining assets for disposal may put the achievement of future deleveraging objectives at risk."

At the end of March, the government was able to negotiate a settlement which allowed the payment of €3.1 billion due to the failed Anglo Irish Bank to be made through the issuing of a long-term government bond. But this did nothing to resolve the underlying crisis of the Irish economy, with no hope of any significant recovery in sight.

The EU Commission report predicted that Ireland's economy will barely grow this year—by 0.5 percent. In 2013, they predict growth of 1.6 percent—well below a government estimate of 2.2 percent made earlier this month. The commission pointed out that developments within the euro-zone would likely result in slower economic growth, but a recession is more likely. This would necessitate a deepening of the austerity drive, which has already seen close to €30 billion cut from state spending since 2008.

Fears over the stability of the euro-zone have centred on a possible Greek exit from the currency, but the long anticipated "contagions" are already evident in Italy, Spain and Ireland. Spanish ten year government bonds are trading ever closer to the 7 percent level at which Ireland acquired its 85 billion euro bailout in 2010.

Despite the attempts of government representatives and others calling for a "Yes" vote to present Ireland as a different case from the rest of the EU periphery, reality shows otherwise. Ireland's very limited economic growth in 2011 was dependent entirely on the broader European economy. Exports accounted for the vast majority of growth, with domestic consumption falling dramatically as a result of spending cuts. Fully 70 percent of these exports were accounted for by foreign investors.

The fiscal treaty, which has the full backing of Europe's ruling elite, mandates the slashing of budget deficits to 0.5 percent of GDP and outlines strict penalties for any state in breach of this provision. Dublin's current austerity plans aim to cut the budget deficit to 3 percent of GDP by 2015, meaning that billions more in savings will have to be found in order to comply with the agreement's terms.

There are significant doubts in financial circles as to whether Ireland will be capable, given its worsening

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economic performance, of selling government bonds as planned later in the year. A recent *Financial Times* report noted that the yields on nine-year government bonds had risen above 7 percent for the first time since the beginning of the year. Unless funds can be raised on the international markets by early 2013, Ireland will require a second bailout when its current programme expires in the autumn.

Such a bailout may not materialise at all. And if it did, it would only set the stage for yet deeper attacks against working people. During 2014, Ireland will have to raise a total of €18 billion to meet current bailout costs and repayments of the bank debts. Adding a further burden to this sum would mean that the austerity measures implemented so far would be dwarfed.

Ireland's political establishment has no intention of changing course from demanding that the working class meet these costs. Taoiseach (Prime Minister) Enda Kenny and his government have taken up the calls for "growth" measures across Europe, including structural reforms and attacks on working conditions and pay. Public Expenditure Minister Brendan Howlin is leading a review of public service pay, which is aimed at reducing payroll costs by at least €75 million in 2012. This is being made possible by the Croke Park Agreement, under which the trade unions agreed to take no strike action for four years from 2010.

The government also wants to ensure the extremely low 12.5 percent Corporation Tax rate is maintained to promote inward investment from transnational companies. At a debate organised by the American Chamber of Commerce Ireland, held prior to Thursday's referendum, Kenny sought to reassure investors that the fiscal treaty would not impose any extra burdens on the corporations.

Measures to further slash costs for the global corporations are being called for in ruling circles. Figures published last week placed Ireland in twentieth place in a global competitiveness list, drawn up from surveys of business executives. It ranked first in the areas of "flexibility and adaptability of workforce", a euphemism for low-paid and insecure jobs coupled with high unemployment rates. It also achieved first in "incentives for investment" and "attitudes towards globalisation", again indicators that show the full acceptance by the Irish ruling class of the dominance of international finance capital.

The RTE article reporting these statistics noted with some concern, however, that "Singapore and Israel, two of the main countries we would compete against for attracting inward investment, are ranked 4th and 18th respectively."

The only way to make Ireland internationally competitive with these states is through the destruction of all that remains of the welfare system, further attacks on labour regulations and wage cutting—an intensification of the policies of social counter-revolution which are causing an historic decline in living standards across the continent. Despite the "Yes" vote, this will only deepen opposition within the Irish working class to the ruling elite and its parties.

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