

Ireland: Bankers joke about their €7 billion bailout scam

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Transcripts released this week by the *Irish Independent* record conversations in 2008 between leading Irish bank executives, joking about how they had scammed billions of euros to bail out the now-defunct Anglo-Irish Bank.

The conversations provide an insight into the reckless, sneering cynicism of the ruling elite as they proceeded to swindle the working people to the tune of trillions of euros.

The conversations focussed on the Anglo-Irish Bank board's attempt to stem the massive losses it suffered following the collapse of the Irish property bubble out of which it had made billions. The board's sting was to downplay the scale of the bank's mounting losses and sucker the authorities into offering large sums of cash. The hope was that, once committed, the Irish government and central bank would be unable to back out of further support.

In one conversation, the retail banking director Peter Fitzgerald asked the head of capital markets, John Bowe, how he had arrived at a sum of €7 billion to bail out the bank. Bowe responded, "as Drummer [David Drumm, Anglo-Irish CEO] would say, I picked it out of my arse."

He went on, "Yeah and that number is seven, but the reality is that we need more than that. But you know, the strategy here is you pull them in, you get them to write a big cheque and they have to keep, they have to support their money."

Bowe elaborated on the calculation behind the figure. "If they saw the enormity of it up front, they might decide they have a choice.... They might say the cost to the taxpayer is too high. But if it doesn't look too big at the outset...it looks big enough to be important, but not too big that it kind of spoils everything, then I think you have chance."

Bowe makes clear that there is no likelihood of the gigantic sums given to the bank ever being repaid. "This is a €7 billion bridging. So you know, it is bridged until we can pay you back...which is never".

A fortnight after Bowe and Fitzpatrick's chat, the Irish government rolled out a bank guarantee, which offered 100 percent cover for all deposits in the banking system and worth €440 billion. It was presented at the time by then-Fianna Fail finance minister Brian Lenihan as "the cheapest bailout in the world", who had hoped that by offering the guarantee, the banks would stabilise. Immediately on its announcement, deposits briefly flooded into Irish banks, particularly from Britain and Germany.

Another conversation, this time between Bowe and Drumm, recorded the duo's attitude to concerns from the Irish financial regulator that the guarantee was being used to pull in new deposits, rather than back up existing ones.

Drumm crowed, "so fucking what, just take it anyway, stick the fingers up". Drumm pointed to the British banks' behaviour after the British government propped up the collapsed mortgage bank Northern Rock. "They went around with the fucking Union Jack wrapped tightly around them like a jump suit and grabbed all the deposits and where was our fucking minister for finance then?" Bowe sang a parody of the German national anthem in praise of the German banking deposits swilling temporarily into Dublin.

He went on, "So OK, just keep nursing along...jack the [interest] rates up. That's what I really meant, get the fucking money in, get it in."

In the event, the flood of money was short-lived, as a succession of European states offered comparable guarantees to depositors. The consequence of the Irish guarantee was to lock Irish state finances into

supporting the country's collapsing banks, all of which were in almost as ruinous a state as Anglo-Irish.

Before its final demise, around €30 billion was handed over to Anglo-Irish. The bank was nationalised in 2009 and recorded the largest loss in Irish corporate history in 2010 following the arrest of chairman and former CEO Sean Fitzpatrick for fraud. In 2011, the bank was split up, and part of it renamed the Irish Bank Resolution Corporation (IBRC), which also incorporated the remains of the Irish Nationwide Building Society. The IBRC was wound up earlier this year. In total, so far, some €64 billion was pumped in the Irish banks, and the government turned to the European Union (EU)-led "troika" for a €67.5 billion bailout in 2010.

The bank guarantee and the "troika" bailout set in place a mechanism to hone the Irish state and political system into a means to fleece the working population of its wages, welfare payments and social services, to pay the major European banks for the local oligarchy's speculative debts. Regardless of their political coloration, all the parties and trade unions supported and continue to support the brutal repayment regime and the social destruction it has set in motion.

The Irish authorities have not even been able to launch a full investigation of what took place. An inquiry by the Central Bank concluded that the banks' boards, senior management, auditors and accounts bore responsibility and pointed to the role of successive governments in encouraging the banks' property speculation. The 2010 inquiry was supposed to provide terms of reference for an independent commission of inquiry, which both the Fianna Fail/Green Party coalition and its successor, the current Fine Gael/Labour Party ruling coalition, have sought to delay.

Immediately after the publication of the Anglo-Irish tapes, Taoiseach and Fine Gael leader Enda Kenny reluctantly announced that the necessary legislation would be processed and a "parliamentary inquiry" set up. Kenny's belated announcement has nothing to do with investigating the truth of what took place, notwithstanding hypocritical expressions of outrage and disgust. Rather, it is another notch in the incremental process of delay and the diversion of immense public anger.

Kenny is also seeking to ease current negotiations at

the EU, at which Ireland is seeking access to further European Stability Mechanism funding to recapitalise its still hugely indebted banks. Labour leader and Tánaiste (deputy prime minister) Eamon Gilmore complained that "what has come out of these tapes doesn't make our job any easier".

Making similar calculations, German chancellor Angela Merkel growled of the tapes, "I have nothing but contempt for this". She added, "The tone seems to be similar across all banks." Michael Fuchs, deputy leader of Merkel's Christian Democratic Union, said, "We are offended. If you have a feeding hand you shouldn't bite into it."

In reality, as Merkel, Fuchs and Kenny are well aware, the unguarded comments of Bowe, Drumm and Fitzpatrick are those of a social type, by no means restricted to Ireland. The entire financial system in Europe and internationally rests on similar criminality. In every bank around the world, similar conversations between executives would have been held, expressing their hilarity and incredulity as vast amounts of money, beyond anything they could have imagined, flooded in to prop up their rotten, corrupt institutions.

Writing in the *Financial Times*, on June 23, Wolfgang Munchau warned that the entire European banking system, including that of Germany, is keeping the real state of banking losses hidden. "Remember the stress tests of 2011? Or the apparently independent audit of the Spanish banking system which concluded that Spanish banks only need a teeny weeny bit in new capital".

Munchau explained that banks disguise losses by tricks such as renewing a non-performing loan, which is then not in default—"pretend and extend". He estimated that given the succession of financial shocks, there could be up to €2.6 trillion of non-performing loans across the euro zone.



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