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Ireland

The deal that wasn't – Ireland enters its second bail-out

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A night of chaos on Wednesday 6th February in the Irish Dail was justified by unsupported claims of a press leak. It was however strongly reminiscent of the scenes in 2008 when the previous government mortgaged Ireland to bail out the banks and concluded with the Fine Gael and Labour coalition voting through a draconian piece of legislation. The legislation liquidated the Irish Bank Resolution Corporation (IBRC), holding the promissory note guaranteeing the debts of Anglo-Irish bank an Irish Nationwide. The vote was taken after TDs were given 10 minutes to read the 68 page document.

The chaotic vote was followed the next day by scenes of jubilation and triumph on the government benches. "We have a deal!" announced Taoiseach Enda Kenny to thunderous applause. In fact the “deal” – actually an internal debt restructuring – simply underlined the historical bankruptcy of Irish capital and its utter dependence on the imperialist powers.

The central issue of discussion was the promissory note through which the government supported its unconditional guarantee to the bankers and speculators behind the collapse of the Anglo-Irish bank.

An unfortunate side effect of the arrangement was a â‚¬3.1 Billion interest rate that fell due each March. This was the subject of endless lies and bombast: claims that they did not pay last year's tranche (the claim was based on a creative accounting technique that simply disguised payment). Claims that the coalition would refuse to pay this year. Claims that the European Central bank was the friend of Ireland and would write down the debt as a reward for our unstinting application of austerity. The lies kept flowing. The emergency act was supposed to be a hurried response to press leaks. It turned out to be a central element of the new arrangement. It was supposed to be about liquidating the holding bank. It also abolished employment rights for IBRC workers, gave the finance minister the right to suspend property rights and moved financial decisions even further away from any form of democratic accountability.

The outcome of all this bombast? Another creative accounting measure between the Irish government and the Irish Central Bank that effectively doubles the level of banking debt. A deal? The support of the ECB? The most that could be squeezed from bank chair Mario Draghi was that he "noted" the deal. Pressed further, he said that the ECB board unanimously "noted" the deal.

The noting is however important in terms of the scheme. It means that the ECB will subsidise an Irish government bond held by the Irish central bank. An official rate of 3% will be effectively under 1%. The overall debt to GDP ratio will fall and the Irish government hope that this will mean the withdrawal of the Troika and a return to the bond market.

The arrangement marks the failure of months of diplomacy when Ireland tried to follow up vague promises that the Irish banking debt would be included in a European Stability Mechanism. The mechanism has suffered delay - reflecting the continuing euro crisis - and concessions to Ireland would have weakened attempts to prevent debt contagion of the core economies.

The question of a further â‚¬30 billion used to recapitalise the other Irish banks remains unresolved and is the subject of further lobbying by the Irish government and their partners in the Irish Trade union movement..

Irish workers pay a high price for the new arrangement. All Irish debt is now sovereign debt. Every red cent is to be repaid. The rescheduled bonds now stretch the repayment period until 2054 - the next generation will pay well into middle age. The longer interest rate effectively doubles the promissory note debt to over â‚¬60 billion. In addition there will be a firesale of "good" debt from Anglo that will be likely to reduce its value. The "bad" debt will be transferred to NAMA. One economist commented that NAMA will become a repository for all Irish debt, with long-term recovery resting on the belief that the bet will someday pay off.

The workers will wait in vain for a protest from the leadership of the Irish trade union movement. “Longer to pay” was actually the central demand of their “better fairer way” programme for paying the debt. A trade union march following the deal was designed to support the government in its diplomacy. Meanwhile the partnership between government and unions continues with talks for a “Croke Park ll” deal meant to shave a further billion of the public sector pay bill.

The gain for Irish capital is that interest rates are reduced as is the debt to GDP ratio, allowing them to plan for a future return to the market and an end to the bail-out and supervision by the Troika.

There is a great deal of confusion over the amount of freedom allowed to the Irish government. The Taoiseach, Enda Kenny, claimed a reduction in payments of â‚¬1 billion each year for 3 years. Finance minister Noonan claimed a total of â‚¬1 billion over the same period.

The new "freedom" will mean nothing to the workers. Ireland's debt is structural and austerity is meant to reduce the cost of labour and the level of public service permanently. One suggestion is that other debts be paid off more quickly. A second is that the government retain a cushion - an indication that the whole edifice is based on the dubious idea of an imminent capitalist recovery. A third proposal is that the stew of austerity be spiced with a thin sprinkling of investment that will supposedly generate jobs.

Although it was claimed to have been triggered by a press leak, the chaos and desperation in the Dail on the early hours of February 7th - a chaotic breakdown of capitalist order - presents a true picture. Irish capital has made a desperate throw of the dice - the "double or quits" throw of the gambler in over their head.

Ireland has entered its second bailout. The banking debt has proved unsustainable. Ireland was caught in a European scissors - it could not pay the debt but it could not be offered mercy for fear of the collapse of the euro. Yet again a solution is found that spares the banks and bondholders and heaps more debt on the Irish working class. Yet again the hope is that capitalism will recover and that a new spurt of growth will shrink the debt. Yet again the outcome of a continued recession is not to be contemplated.

In the new bailout a puppeteer’s string from the European central bank will replace the troika noose.

The financial occupation, the grinding austerity, both will continue until the working class organises in its own behalf to resist the austerity.

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