

# Ireland on the turn? Political and Economic Consequences of the Crash

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Ireland has often lagged behind political and cultural developments elsewhere in the West. It was thus hardly surprising if suggestions that 'the end of Irish history' was at hand only began to surface on the cusp of the new century. A peace agreement which called time on Europe's most prolonged conflict since 1945 encouraged hopes that Northern Ireland would soon come to resemble Yorkshire and the Rhineland more closely than Lebanon or Bosnia. South of the border, decades of under-development appeared to have been overcome in the space of a few euphoric years. And if the two Irish states still lacked one of the defining features of modern European politics—a left-right divide with electoral preferences tightly linked to class position—might not that suggest that Ireland was ahead of the curve for once, anticipating the coming Americanization of Europe's political life?

Since September 2008, the global crisis has doused such visions in the coldest of water. The southern state is in freefall, shedding jobs at a dizzying rate and forced to accept a humiliating 'bail-out' from the EU and the International Monetary Fund the terms of which are likely to exacerbate the slump. Recession has cruelly exposed the flaws of the 'Celtic Tiger' model and punctured the self-assurance of its political sponsors. The prospect of Tory-Lib Dem austerity, meanwhile, threatens a Northern Irish economy which is unusually dependent on state investment to maintain its standard of living. This in turn will place intense strain on the region's power-sharing administration, testing the will of its reluctant coalition partners to remain locked in harness as they implement London's cutbacks. This essay will explore the economic and political consequences of the crisis, North and South. If it is too early to assess the longer-term impact, it is already clear that Ireland's eccentric historical path has a long way to travel before reaching its terminus.



## I. A MODEL IN MELTDOWN

For much of the past two decades, the Republic of Ireland found itself hailed as a crowning glory of neo-liberalism. Between 1993 and 2000, Irish GNP grew by an average of 9 per cent a year; unemployment—which had reached a peak of 17 per cent in the 1980s—had almost disappeared by the close of the century. A nation that had stood ignominiously on the economic sidelines during the trente glorieuses of its larger and richer neighbours suddenly vaulted past them all, even reaching the psychologically vital milestone of a per capita income higher than Great Britain's. Foreign journalists rushed to praise the Irish economic miracle, which could handily be attributed to its

willingness to don the golden straitjacket and embrace the logic of global capitalism. Neo-liberal pundits from Thomas Friedman to George Osborne urged the rest of Europe to ‘follow the leapin’ leprechaun’ down the road of low taxes, light regulation and flexible labour markets. [1] After witnessing the transformation of Ireland from basket-case to economic paragon, who could possibly deny the validity of the formula?

The EU-IMF package of December 2010 has hammered the final nail in that particular coffin. With unemployment standing at 13 per cent and GDP having registered the largest dips ever recorded—7 per cent in 2009 alone—the Republic has now been saddled with a punitive interest rate of 5.8 per cent on a multi-billion euro loan that will be immediately used to repay German, French and British banks. This burden stems from the Irish government’s decision in September 2008 to offer an unlimited guarantee of the liabilities accumulated by its putrid banking system—and the refusal of the major European states to consider imposing a loss on ‘senior bondholders’, i.e. the said banks. It will most likely prove impossible for the Irish state to meet its interest repayments, creating further instability for the Eurozone and negating the prospects of an Irish recovery.

The terms of the deal cast an ironic light on one of the major themes of Irish political debate throughout the Celtic Tiger years. It was articulated most famously by Mary Harney—leader of the Thatcherite Progressive Democrats and veteran of the Fianna Fáil-led coalition which has held office since 1997—when she asserted that Ireland was ‘closer to Boston than Berlin’: more in tune with the Anglo-American economic model than with the welfarist leanings of continental Europe. Harney’s trite slogan was adopted by the Irish commentariat, with the value sign reversed by those on the liberal left who assumed that the EU would represent a more humane and progressive form of capitalism. Now Boston and Berlin have come to town, marching in step, and there is little to choose between them. Indeed, the IMF has shown itself to be somewhat more enlightened than the EU, if only because it does not consider it imperative to defend the interests of European banking giants. It is a measure of the trauma that even the Irish Times felt compelled to distance itself in sub-Yeatsian style from the country’s new financial masters:

*“It may seem strange to some that the Irish Times would ask whether this is what the men of 1916 died for: a bailout from the German chancellor with a few shillings of sympathy from the British chancellor on the side . . . Having obtained our political independence from Britain to be the masters of our own affairs, we have now surrendered our sovereignty to the European Commission, the European Central Bank and the International Monetary Fund.” [2]*

## **Two phases of the Tiger**

Explanations of this debacle must take as their starting-point the distinction between two phases of the ‘Celtic Tiger’. The first was driven by an unprecedented flow of investment from US multinationals into key manufacturing sectors, with exports as the main spur to economic growth. The second phase began after the US recession of 2001, with a new emphasis on construction and finance generating a property bubble with few parallels in modern economic history. The early decades of the Republic—as of the Free State which preceded it—had been characterized by import-substitution policies, which had reached the limit of their potential by the 1950s. With Seán Lemass as Taoiseach (1959–66), the dominant Fianna Fáil party threw the economy open and offered enticing tax breaks to foreign capital. But it was accession to the European Economic Community in 1973 that laid the foundations for the subsequent boom. Ireland became the recipient of growing waves of structural funding in the 1980s, while its big farmers reaped the benefits of the Common Agricultural Policy.

For American companies seeking profitable sites for investment in the early 1990s, the Republic could therefore offer two key advantages: membership of the EC, which gave companies on its

territory access to the new Single Market, and a special 10 per cent rate of tax on manufacturing profits (eventually replaced by a flat corporation tax rate of 12.5 per cent). The impact of this generous tax regime on the public finances was partially offset by €10 billion of EU structural funding received between 1989 and 1999, which added almost 2 per cent to Irish GDP during the take-off decade. [3] The US share of industrial investment in the local economy rose from 32 per cent in 1990 to 68 per cent in 1997. FDI was concentrated in a handful of sectors, particularly computers, pharmaceuticals and electronic engineering. Dell built its largest European factory on Irish soil, and was joined by a gaggle of IT giants. Between 1995 and 1999, multinational corporations were directly responsible for 85 per cent of total economic growth. [4] One result of this dependence on foreign-owned companies to power the Irish economy was a growing divergence between the figures for GDP and GNP: by the end of the decade, GNP was almost twenty per cent lower. The role of multinationals in the 90s boom naturally left Ireland's economic health perilously exposed to a shift in the conditions that had made it such an attractive location for investment. There was little hope of indigenous industry picking up the slack, as one writer noted in 2003:

*"The great difference between the foreign and indigenously owned sectors is that the level of gross value added per employee is more than five times greater in the former than the latter. In 2001 gross value added per employee in Irish-owned firms stood at €44,700, an increase in nominal terms of 10 per cent. Despite this strong growth, the gap widened, as value added per employee in foreign firms increased by 12 per cent to €226,000 per employee."* [5]

While multinationals exported almost 90 per cent of their output in 2001, Irish-owned firms sold less than 40 per cent of what they produced abroad. Unlike the original Asian Tigers, the Celtic model did not produce its own industrial champions to drive the economy forward.

### **Safe as houses**

The dreaded climatic shift began with the collapse of the American IT bubble. Irish manufacturing employment had grown every year from 1995 to 2001 but then started to decline, falling from 251,000 to 223,400 by 2007. [6] Annual growth in exports, which had averaged over 17 per cent between 1995 and 2000, struggled to reach 5 per cent over the next five years. [7] The expansion of the European Union eroded Ireland's tax advantage, with new member-states in the East offering more lucrative deals and much lower wages: Dell decided to close its flagship plant in Limerick and shift production to Lodz in 2008. There was no sudden end to the boom, however, despite the attrition of Ireland's manufacturing base. The banking sector now overtook industry as a provider of jobs, with 14 per cent of the workforce in finance by 2008.

Much of this expansion was centred around the International Financial Services Centre, a satellite of the City of London in Dublin's docklands with a farcically inadequate regulatory regime, prompting British politicians to speak of 'Liechtenstein on the Liffey'. A shine was also put on the economic figures by the increasing use of Ireland as a respectable clearing-house for transfer pricing by multinationals. The banks funnelled as much capital as they could into the other pillar of the Tiger's second phase: a wildly overheated construction sector which accounted for almost 23 per cent of GNP by 2007. The average price of a new house rose from €67,000 in 1991 to €334,000 in 2007, by which time there were 21 new units of housing being built per thousand citizens (even Spain only managed 15). Construction also became the main source of new private-sector jobs, with employment in the industry rising by 59 per cent between 2000 and 2008. [8]

The whole set-up might have been calibrated to produce a meltdown in the event of a global crisis: Irish banks had borrowed vast sums on the international markets so they could keep on lending to property developers and allowed their capital ratios to reach unprecedented troughs. When Lehman Brothers hit the wall in September 2008, the storm broke. Brian Cowen's panicked—and deeply

compromised—government offered to guarantee the full liabilities of Irish-owned financial institutions, exposing its citizens to a potential wallop several times larger than the nation's annual GDP. Soon afterwards, the Fianna Fáil-led administration moved to nationalize Anglo Irish, the third-largest bank in the state, and shore up its two main competitors with huge cash injections. Anglo Irish specialized in massive loans to a small body of customers: fifteen accumulated debts to the bank of at least €500m each. Its losses of over €12 billion for 2009 were the largest in Irish corporate history.

Once the bank guarantee was put in place, the overriding goal of Cowen's government was to shore up the private financial system at any cost. Finance Minister Brian Lenihan initially bragged that Ireland had instituted the 'cheapest bailout in the world'. As the rotten foundations of Irish banking gradually came into public view, the anticipated cost of the guarantee rose exponentially: realistic estimates at present lie somewhere between €50 and €70 billion (Irish GDP in 2008 was a little over €200 billion). Cowen and Lenihan spurned opportunities to terminate the 2008 guarantee, despite the fact that they had the legal option to do so on the grounds that three of the banks had withheld material information about their solvency, in direct breach of the 1971 Central Bank Act. But, as the economist Morgan Kelly noted, that would have entailed an 'unpleasant showdown with the European Central Bank'. Instead, 'the German and French banks whose solvency is the overriding concern of the ECB get their money back', while 'the senior management of the banks that caused this crisis continue to enjoy their richly earned rewards. The only difficulty is that the Government's open-ended commitment to cover the bank losses far exceeds the fiscal capacity of the Irish State.' [9]

This unlimited subsidy to Irish banks and European bondholders has come at the expense of any government schemes to create or sustain employment. While economists in other countries wonder what will happen when the various financial stimuli expire, their Irish counterparts have no such worries: there never was a stimulus package to begin with. In the first two years of the crisis, €15 billion was extracted from the economy by the Fianna Fáil-led government in a series of regressive austerity budgets. The assault on the social wage has been accompanied by a shrill groupthink which maintains that such cuts need not bring dire consequences for those who rely on public services: there is plenty of room for trimming as Ireland was unduly lavish in its outlay during the boom years.

This consensus shows little regard for the tiresome business of gathering evidence. Even at the peak of the boom, the Republic of Ireland had little reason to boast about its social performance. It ranked second-to-bottom in the OECD league tables for poverty and inequality; only the US fared worse. Inequality increased during the period of highest economic growth, with the number of households earning below 50 per cent of the average income rising from 18 per cent in 1994 to 24 per cent in 2001. Other benchmarks shifted in the opposite direction: government expenditure on social protection as a proportion of GDP stood at 20 per cent in 1993, but had fallen to 14 per cent by 2000—barely half the EU's average. [10]

Even the reliably orthodox OECD could not find much fat on this particular bone when it was delegated to scrutinize the Irish public service in 2008: 'Ireland's real average annual growth rate in public expenditure between 1995 and 2005 was 5 per cent, significantly slower than real GDP growth of 7.5 per cent'. Fianna Fáil policies had already decreased the total number of public-sector employees as a percentage of the labour force and the overall public-sector wage bill as a percentage of GDP. [11] This is the 'bloated' public sector now earmarked for an indefinite period of austerity, as media outlets contrive a synthetic backlash against those employed in the public service (displaying a monomania worthy of a better cause, one columnist could think of no more wounding barb for Catholic bishops who protected child abusers than to compare their actions to 'the worst sort of public-service union thinking' [12]). The vilification has been so egregious that the

government's own economic advisor, Alan Ahearne, felt impelled to protest:

Much of the rhetoric in the media about public-sector pay and reform is an attempt by some of the least well-informed commentators to distract attention from the main source of our economic woes. The mess in which the Irish economy finds itself largely stems from the house-price bubble, not from problems in the public sector. It is probably not a coincidence that some of the most vocal critics of the public sector today were among the most conspicuous cheerleaders for the housing boom. [13]

This onslaught has been renewed in the wake of the EU-IMF deal. It would be wrong to think that the new managers of the Irish economy have pushed the Dublin government down a path it would rather not tread: their suggestions have been accepted with something that closely resembles glee. Another €15 billion is to be taken out of the economy over the next three years, with €6 billion of cuts concentrated in Lenihan's December 2010 budget. The latter package, which will be the last delivered by Lenihan while in office, comfortably exceeded the mean-spirited benchmark set by his previous offerings. A boom disfigured by gross inequality has given way to a slump marked by Victorian standards of social reaction. If David Cameron and Nick Clegg want a model to emulate, they will not have to look very far.

### ***The end of the party?***

Fianna Fáil's unflinching commitment to protect a thoroughly corrupt banking system and its ruthless determination to load the burden of the crisis onto the lower end of the social scale will naturally prompt questions about the character of Ireland's electoral hegemon—a party that has been aptly described as the most important secular institution in the modern Irish state. Writing in the 1980s, one historian struggled to find European analogies for its extraordinary political dominance: only Swedish Social Democrats, Ulster Unionists and Italian Christian Democracy could be placed in the same category. [14] Two decades later, the DC is a fading memory, the Ulster Unionists have been eclipsed, and the SAP finds itself on the opposition benches, while Fianna Fáil has managed to perpetuate itself for another generation. The party has been in government for 60 of the 79 years since it first won office in 1932. Its vote has only dipped below 40 per cent twice, and then fractionally so.

The origins of the party lie, of course, in the compromised conditions of the country's independence. The radicalizations of 1914–18, not least that created by the brutal repression of the 1916 Easter Rising, resulted in a landslide victory for the republican-nationalist Sinn Féin ('Our Selves') in the Westminster elections of 1918; the party swept aside the more conservative home-rule nationalists and marginalized the London-backed unionists, winning 75 out of 105 'Irish' House of Commons seats. Sinn Féin leader Éamon De Valera duly proclaimed the Irish Republic in 1919, opening negotiations with London while republican guerrillas harried British security forces. The compromise of the 1921 Treaty—dominion status, with Dublin parliamentarians to swear an oath of allegiance to the British King—accepted the partition of the island sanctioned by Lloyd George's 1920 Government of Ireland Act: under the Crown, the six north-eastern counties would be administered from Belfast, the remaining twenty-six from Dublin. The Treaty was ratified by the Dáil, Dublin's parliament, in 1922, establishing the Irish Free State; but it split Sinn Féin. The pro-Treaty section of the party imposed the settlement on its opponents in a bitter though relatively brief civil war; pro-Treaty politicians would go on to establish the conservative Fine Gael ('Irish Race') party, steeled by an influx of fascist Blue Shirts in the 1930s. The remainder of Sinn Féin split again in 1926 when De Valera and his supporters made their peace with the new regime. They regrouped under the banner of Fianna Fáil ('Soldiers of Ireland'), which emerged as the largest party in the Dáil in 1932 and has dominated the political landscape ever since. From 1938 through to 1989, Fianna Fáil typically took over 44 per cent of first-preference votes, with Fine Gael usually languishing below 35 per cent and the anaemic Irish Labour Party generally struggling to reach 15



per cent. [15]

Fianna Fáil's hegemony has rested in part on the populist image carefully nurtured by the party since its formation. The leadership has often claimed that its natural inclination is towards the centre-left, even dubbing it 'Ireland's Labour Party', though a glance at its record in government would confirm it as a body of the centre-right. In the 1930s, Fianna Fáil rhetoric had an unmistakably radical tinge, securing the party a firm base among small farmers and the urban working class. That base was consolidated by social reforms the limitations of which would have been more obvious had they not contrasted so favourably with the lofty indifference of the previous regime to social squalor. It was also shored up by astutely developed clientelist networks which delivered just enough goods to ensure personal loyalty and gratitude.

### ***Absent left***

Fianna Fáil's task was also made easier by the shortcomings of the Irish left. A number of structural factors weighed heavily upon the prospects of any left-wing force. The southern state was almost entirely lacking in a manufacturing base at the time of independence, and only acquired an urban majority in the second half of the century. Vertiginous emigration drained away potential malcontents to Britain, Australia or the United States: in the 1920s, a staggering 43 per cent of the Irish-born population lived outside the country. [16] A conservative religious culture was given unusual force by its long association with national identity and resistance to oppression (Poland is perhaps the only direct analogy in this regard). Yet though these factors certainly imposed a heavy burden, they need not, perhaps, have been insurmountable. After all, much more successful left-wing movements have emerged in countries with powerful reactionary churches, large peasant populations, or national questions which dominated political life. The Irish left may have been dealt a tough hand, but it has usually made a ham-fisted job of playing what cards it had in its possession.

An explanation for this needs to start, once again, from the problems of the independence movement. In 1919, as calls for national sovereignty rang from Moscow to Versailles, Sinn Féin, with an overwhelming popular mandate, faced an opponent gravely weakened by war-weariness, labour upheaval and economic crisis; unionism was finished as a national-hegemonic force. Why did the Irish movement fold so quickly, accepting partition and dominion status, rather than continue the struggle until a more favourable outcome had been achieved? One crucial subjective factor surely lies in the divide between political and military leadership, which has remained a factor in Irish republican politics to modern times—a schism that Cuban or Vietnamese revolutionaries would have found baffling. The reason for this lies in part in the very early emergence of the Irish movement, closer to the ideals of 1848 than to the socialist-inspired anti-colonial revolts that shook the twentieth century.

The Fenian leader James Stephens (1825–1901) was one of the most capable revolutionary organizers of his time; but, having been moulded in the Parisian republican underground, he inherited its predilection for a conspiratorial, Blanquist approach to revolution. This ensured that the failed rising of 1867 would be quite unworthy of the remarkable movement that Stephens had built. In the subsequent decades, Michael Davitt led a partial break with this political model, bringing a section of the Fenian movement into open political activity through the Land League. Yet Davitt was anathematized by the Irish Republican Brotherhood majority, who persisted with a secret, oath-bound organization; and he was unable to stop Charles Parnell from reaping the political fruits of the Land League agitation for the Home Rule Party and using it to cement his Westminster alliance with Gladstone. The potential for mass political agitation that would show no respect for the proprieties of the British constitutional order was aborted.

On the eve of the Great War, the Irish Republican Brotherhood was a miniscule, irrelevant sect; the

British authorities would certainly have considered the syndicalist Irish Transport & General Workers Union (ITGWU) of Jim Larkin and James Connolly to be a much greater threat to the established order. The Home Rule crisis which immediately preceded the First World War presented the republicans with the opportunity to assume the leadership of a genuine mass movement—the Irish Volunteers, established to defend Irish self-government against violent unionist resistance—through cloak-and-dagger machinations behind the back of its membership. It was typical of the IRB's approach to politics that many Volunteers were unaware an insurrection against British rule was planned until they reached their posts on the day of the Easter Rising. After it had been crushed, Michael Collins absorbed the military lessons of 1867 and 1916 and broke with the static approach to revolutionary warfare that had guaranteed defeat on both occasions. His pioneering experiment in guerrilla warfare offered a model that was to be studied eagerly by anti-colonial movements in Asia and Africa. Yet the new IRA commanders who followed Collins in applying guerrilla tactics when the struggle was resumed mostly ignored the political field, leaving it to men like De Valera and Arthur Griffith, who would have preferred to see the IRA stand, fight and be slaughtered so that it would be recognized as a gentlemanly bourgeois army and not a band of ruffians and corner boys.

Giving such men sole responsibility for conducting negotiations with Britain was a sure way to find the independence movement short-changed. The republicans had even less understanding of industrial resistance to Britain, which proved to be so important: the general strike against conscription, the Limerick Soviet, and the blacking of the British Army by railwaymen were all organized by the working-class movement. Orthodox republicans merely concluded that the workers had done their duty as patriotic Irishmen and drew no conclusions about the class dimension of the anti-imperialist struggle.

It was always predictable that the notables of Irish society, who had transferred their loyalty from the Home Rule party to Sinn Féin when they realized the tide of nationalist opinion was unstoppable, would accept a settlement that fell short of republican goals: their main concern in 1920–21 was to establish a new political authority that could hold the line against land and labour unrest and defend their place in the social hierarchy. Such elements had no intention of risking further upheaval for the sake of Partition or the Oath. This is not to be wondered at or deplored; what is striking, however, is the failure of anti-Treaty republicans to understand what was going on. A small number of socialists in the anti-Treaty camp saw the class nature of the split, and IRA commander Liam Mellows was grasping towards the same view when he identified the 'stake in the country' people as the bedrock of support for the Treaty, before his execution by the Free State in 1922. More typical was the attitude of Liam Lynch, IRA Chief of Staff: when the fledgling Communist Party of Ireland urged him to adopt a programme of political and economic demands that would certainly have polarized opinion along class lines, Lynch simply retorted that he was a soldier, not a politician, and carried on with a purely military, moralistic resistance to the Treaty that was certain to fail.

The republicans were not the only ones to blame for this doomed approach. After Connolly's execution for his role in the Easter Rising, his supposed heirs in the leadership of the ITGWU and the Labour Party completely abdicated their responsibility to provide an independent working-class voice. Their failure to contest the 1918 election was the first of many deferrals to bourgeois nationalism, climaxing in the support given to the pro-Treaty government by Labour (Larkin was serving a jail sentence in New York for anti-war agitation at the time and unable to influence the course of events until his return to Ireland). It strains credibility to suggest, as some radical historians have done, that there could have been a socialist revolution in Ireland during this period if the leadership of organized labour had acquitted itself better. But it is certainly not a flight of fancy to imagine that a stronger left-wing movement could have emerged, playing a significant role in the opposition to the Treaty. This would have tilted the politics of the new state onto a very different

course.

### ***Labour pains***

Labour's conduct in this period set the pattern for the next eighty years or so of its existence. To say that Irish Labour has had as poor a record as its British counterpart would actually be too kind. It is telling that in the 1940s, when Attlee's government held power across the water, the Irish Labour leadership was deeply concerned that people might think the two Labour parties had something in common, and associate their own party with the dangerous radicalism of Attlee and Bevin. The Irish Labour Party has opted to cringe before the conservatism of the political scene even when its own prospects were damaged by this subservience. It has typically served as a silent coalition partner propping up conservative Fine Gael governments during Fianna Fáil's occasional spells in opposition. [17]

There have been two occasions in Labour's history when it stood as an independent left-wing force and challenged the two conservative parties with a distinctive programme: once in the 1940s and again in the 1960s. On both occasions it made significant electoral gains, overtaking Fianna Fáil as the biggest party in Dublin; and on both occasions, the experiment ended in a pathetic collapse. In the 40s, Labour surrendered to blackmail from a right-wing splinter group engineered by reactionary elements in the trade-union movement, purged itself of its most dynamic members and returned tamely to the fold. In the 60s, the party leadership indulged in shameless conference vote-rigging to overturn a left-wing stance which had brought the party its highest ever share of the vote, forging an alliance with Fine Gael that led to a drastic slump in support for Labour. [18] These experiences suggest that Labour's prolonged deference to conservative ideology was not an unfortunate but inevitable adaptation to circumstances that were beyond its power to influence, as its leaders usually contend. The party's timidity has damaged its own prospects and reinforced the conservatism of Irish politics. It has also been invaluable to Fianna Fáil, whose leaders are rarely happier than when they can taunt Labour for its moderation and respectability. Seán Lemass had a particular relish for this line of argument:

I gather from [Labour] Deputy Tully that someone accused the Labour Party of going 'Red', which hurt his feelings very much. May I straightaway dissociate myself from any such suggestion? The Labour Party are, and always have been, the most conservative element in our community. Far from the Labour Party going 'Red', they are not going anywhere . . . the Labour Party are a nice, respectable, docile, harmless body of men—as harmless a body as ever graced any parliament. [19]

In fact, whenever Fianna Fáil has faced a serious left-wing challenge, whether from Labour or other forces, it has been quick to abandon the 'centre-left' posture and bare its teeth as an essentially conservative formation. While it made the usual claim of nationalist movements to stand above sordid class divisions, Fianna Fáil in its first two decades in power was quite straightforward about its aim of cultivating a domestic bourgeoisie behind a wall of tariffs and mitigating Irish subservience to British capital. After the break with protectionism in the 1950s, this objective was scaled down: now the priority was to raise GDP while securing a broader spread of foreign investment and export markets.

The style of the party leadership changed enormously over the same period, from the austere traditionalism of De Valera to the opulence of Charles Haughey, who took the Fianna Fáil reins at the end of the 70s. If it was now the patriotic duty of Ireland's captains of industry to make themselves richer, Haughey could hardly be faulted for drawing the conclusion that he, too, should acquire a lifestyle worthy of the nation's leader. But the corruption scandals which attended Haughey came to threaten Fianna Fáil's populist image, which could not bear too many revelations about brown envelopes stuffed with cash. To repair the damage incurred by Haughey, his successors



repackaged the party, with Bertie Ahern selected as its new front man in 1994. A shrewd political operator with a gift for speaking at length without supplying his audience with any information, Ahern adopted a down-to-earth persona to distance himself from Haughey's disgrace, and even claimed to be one of the few remaining socialists in Irish political life. But this clean-up operation did not alter the power of money to shape decision-making at the highest levels of state: the crude transactions of the Haughey years were simply replaced by a more efficient relationship between political and economic elites, following the best practice of Western capitalist democracy. In the plain language that Ahern worked so hard to avoid, Fianna Fáil replaced the murky, personalized graft of the Haughey era with organized, systematic corruption, displaying a subservience to business that was rare even by the standards of the age.

This fundamental class orientation determined Fianna Fáil's approach during the Tiger years. It has now been exposed to unprecedented scrutiny by the slump, and the party hierarchy must bitterly regret their insouciance when times were good. It is one thing to read that 40 per cent of disclosed donations to the party between 1997 and 2007 came from builders and property developers. It is another to be presented with a theatrical demonstration of the link between politics and business that would be considered unforgivably didactic if performed by a Brechtian agitprop ensemble: namely, the Fianna Fáil tent at Galway's annual horse-racing festival, which was stocked with an agreeably vulgar cast of characters from the Irish construction sector, eager to sign another cheque for their political benefactors. With the sordid relationship between Fianna Fáil and the banking-construction nexus so well documented, few are inclined to take its handling of the crisis at face value. Brian Cowen would doubtless give anything to remove one piece of information from the public domain: the fact that he addressed Seán Fitzpatrick, the disgraced former chairman of Anglo Irish whose personal corruption and duplicity has made him a national hate figure, as 'Seánie'.

The continued political hegemony of Fianna Fáil over the past twenty years has obscured a shift in the basis of its support, as the inherited tribal loyalties of an earlier generation gave way to a much more pragmatic adherence. [20] Having stumbled upon a reputation for competence by landing back in office as the Irish economy was getting into its stride, Fianna Fáil was returned to power in 2007 by an electorate anxious about the future and fearful of rocking the boat. Now that both the safety and cleanliness of its hands have been discredited, the party is in deep trouble. It has often drawn strength from the ingrained clientelism of the Irish political system, [21] displaying a consummate knack for parish-pump endeavour. Yet this resource is likely to prove inadequate at a time when all local concerns must be seen in the light of the national crisis.

## **2. BRITAIN'S WORKHOUSE**

At first glance, the economic horizon may appear brighter on the other side of the border: Northern Ireland has not suffered a fall as hard as that of its southern neighbour. But this apparently enviable position is itself a consequence of long-term economic decline. The industrial heartland of Belfast and the Lagan Valley—once home to the largest shipyards in the world—has gone the same way as the rustbelts of Sheffield and Detroit. This atrophy of its traditional economic strength has had the perverse effect of sheltering Northern Ireland from the worst ravages of the global crisis. The region has benefited from the stabilizing presence of a uniquely large public sector: no OECD member has more than 25 per cent of its workforce employed by the state, yet the public sector accounts for more than 30 per cent of all Northern Irish jobs. This is made possible by the injection of funds which Northern Ireland receives from Westminster. If this financial support were withdrawn, the regional economy would collapse in a matter of weeks.

Such reliance on exogenous support is not only a by-product of industrial malaise. The impact of

global economic trends that devastated the manufacturing centres of classical Fordism was compounded by a low-intensity war: according to one estimate, the conflict itself was responsible for as much as 25 per cent of manufacturing job losses. [22] In the same period, successive British governments ratcheted up levels of financial support in the hope that economics might compensate for the failure of political endeavours. Although the statelet had long been reliant on external support to balance its books, the slide into abject dependence on British subsidies began after the outbreak of the Troubles. The annual subvention in 1970 was below £100m; by 1985 it had reached £1.7 billion, or £1,100 for every inhabitant. As a result, the population of Northern Ireland came to enjoy a standard of living well above what the productivity of its economic sphere would lead one to expect.

While the war may have aggravated the problems of the manufacturing sector, its conclusion has not delivered any straightforward 'peace dividend'. Unemployment had fallen substantially by the early part of the millennium, but the unorthodox structure of the economy remained largely the same. Efforts to imitate the southern state by attracting foreign investment have proved fruitless for the most part: one study concluded that the Republic received twenty times more FDI than Northern Ireland in proportion to its size, a gap attributed largely to its much lower rate of corporation tax. [23] This mono-causal explanation for the superior performance of the southern economy has been accepted by unionist and nationalist politicians alike and lies behind their call for a harmonization of tax rates on both sides of the border. Thus far, the British Treasury has resisted what would be an unprecedented departure in regional economic policy for the UK. [24] The 1980s description of Northern Ireland as a 'workhouse economy' still commands respect:

*"A large part of its population is unemployed. Those who are not are chiefly engaged in servicing or controlling each other, through the provision of health, education, retail distribution, construction, security and social services . . . Like a typical workhouse, it is supported by taxes levied on the external community, while providing very little in return. If forced to live within its means, Northern Ireland would experience a catastrophic fall in living standards."* [25]

The words of the British proconsul Peter Hain thus carry an ominous charge. Hain warned in 2006 that 'there is no prospect of the status quo prevailing', insisting that 'the economy is not sustainable in its present form in the long term. We have got to become more competitive, less dependent upon a bloated public sector with huge state subsidies.' [26] There can be little doubt that his views expressed a bipartisan consensus among the British political class, which expects a post-conflict Northern Ireland to prove much less of a burden: Cameron tactlessly gave voice to such thoughts during the British election campaign, and Osborne has targeted the region for cuts of £4 billion over the next four years. [27] The direct impact of the crisis on the Northern Irish economy may have been less calamitous than elsewhere, but as it sharpens this determination to claw back the support on which the region depends, its long-term consequences could prove devastating.

As always in Northern Ireland, one cannot discuss economic developments without noting their likely communal mediation. Poverty has traditionally fallen with particular severity upon the Catholic minority: in 1971, the unemployment rate among male Catholics stood at 17 per cent, against 6 per cent for Protestants; a decade later, the respective figures were 30 per cent and 12 per cent. The trend in recent years has been towards a modest levelling of such inter-communal imbalances. Yet Catholics remain notably worse off than Protestants: although the Catholic share of those on low incomes declined from 58 per cent at the beginning of the 1990s to 55 per cent by the end of the decade, the latter figure is still disproportionately large. [28] A relative tilt of employment patterns in favour of Catholics reflects the decline of manufacturing—shipbuilding and engineering were traditionally Protestant bastions—and the growth of services, along with the impact of anti-discrimination laws on hiring practices.

It is less permissible than ever to discuss the comparative position of Protestants and Catholics in Northern Ireland without taking account of intra-communal divisions. It was always misleading, of course, to speak of 'Protestants' as an undifferentiated bloc accruing collective privileges: working-class unionists may have received a bigger slice of a woefully inadequate cake, but their social advantages were hardly comparable to those enjoyed by the Orange bourgeoisie. The salience of class position in determining social outcomes has increased substantially since the beginning of the Troubles. Middle-class Catholics have taken advantage of the space opened up by the civil rights movement of the 1960s and cornered a growing share of professional and managerial employment, especially in the public sector. Working-class Protestants, on the other hand, have regressed as the opportunities for skilled blue-collar employment dry up. Of the fifteen local government wards with the lowest rates of educational attainment in Northern Ireland, thirteen are to be found in working-class Protestant areas.

A naive brand of economic determinism might suggest that these recalibrations of class and ethnicity offer a favourable terrain for the trans-communal unity of the Northern Irish working class behind a radical—or at least progressive—economic agenda. As long as economic issues are discussed and understood from a communal rather than a class perspective, however, this inviting prospect will remain chimerical. A quarter of a century ago, Geoffrey Bell cautioned that 'it would be socialism of the crudest brew to imagine that being reduced to the economic straits of the Catholics would force the Protestant workers to give their ingrained ideas a complete overhaul.' [29] That warning has lost none of its value now that 'equality of misery' appears to be within shouting distance.

### ***Misplaced loyalty***

These socio-economic trends confront a political system that remains stubbornly polarized along sectarian lines. The Good Friday Agreement (GFA) of 1998 established a Northern Ireland Assembly which would function on consociational lines, with cross-community majorities required for all major decisions. [30] After fifty years of exclusionary Unionist dominance following partition, which gave way to a quarter-century of direct rule from London after the collapse of the Stormont system in 1972, it was intended that the Catholic/Nationalist community would finally be given a structured and proportional voice in Northern Ireland's administration (the balance between Protestants and Catholics in the region's population is approximately 55:45, with the Catholic share having grown steadily over time). But hopes that a stable power-sharing government would soon be formed gave way to a lengthy stand-off between Sinn Féin and the leading pro-Agreement Unionist David Trimble over decommissioning of IRA weapons. The Assembly was suspended in 2002; direct rule from London resumed. When subsequent elections returned the anti-GFA Democratic Unionists (DUP) alongside Sinn Féin as the largest parties, it seemed suspension was likely to be permanent: the DUP's octogenarian chief Ian Paisley had spent his entire career denouncing power-sharing with any nationalist party, never mind the political wing of the IRA.

His dramatic conversion to a power-sharing agreement at the 2006 St. Andrews talks has been ascribed to a too-generous-to-refuse British Treasury settlement, as well as Sinn Féin's concessions on policing. Ultimately, Paisley was a victim of his own success: after he had crowned a lifetime of destructive opposition by finally reaching the top of the unionist pecking order, the demagogic preacher was forced to recognize that no London government would accept a return to the old system of mono-communal, sectarian rule and risk fuelling a new republican insurgency just as the previous one had been contained. If he wanted to enjoy the fruits of his political triumph, Paisley was going to have to say 'yes' for the first time. In May 2007 a new executive finally took office in Stormont, with Paisley as First Minister and Sinn Féin's Martin McGuinness as Deputy First Minister. The DUP leader was replaced the following year by his understudy Peter Robinson: Paisley's relationship with McGuinness was considered excessively cordial by DUP stalwarts, while

his son Ian Jr. brought further difficulty with a scandal involving shady property developers, compromising his own position in the DUP hierarchy and weakening the grip of the Paisley clan. Robinson himself has since been visited by turmoil involving his wife—also a DUP politician—that combined financial impropriety with acute personal embarrassment, yet has managed to contain the challenge from unreconstructed opponents of power-sharing thus far. With Unionism splintered and demoralized, Sinn Féin has emerged as the largest single party, topping the polls in the 2009 European Parliament elections and winning most votes, though not seats, in the British general election of 2010.

Fragmentation of the two sectarian blocs along class lines was anticipated by many in the wake of the 1990s paramilitary ceasefires. Left-wing supporters of the GFA hoped that working-class unionists and nationalists, having agreed to differ on the constitutional question and accepted the framework of the Agreement, would find their own voice on social and economic affairs and challenge the established communal elites. The parties established by the loyalist paramilitaries—the Ulster Volunteer Force and Ulster Defence Association—were identified as the likely agents of this process within the unionist bloc. The UVF's political wing, the Progressive Unionist Party, seemed an especially promising candidate for the role: led by David Ervine, a highly articulate former paramilitary, it described itself as 'socialist', acknowledged discrimination against Catholics under the old Stormont regime and spoke of the need for class politics. Admittedly, the PUP's understanding of socialism owed more to Ernest Bevin than John Maclean, but even the traditional politics of British Labourism would represent a major departure within unionism.

When loyalist representatives heckled the veteran bigot Paisley as he denounced the 'sell-out' of the GFA in 1998, it seemed possible to imagine a wave of social insubordination spreading through the Protestant working class for the first time since the brief flowering of the Northern Ireland Labour Party in the 1960s. A decade on, those hopes have proved groundless. The main shift within unionism has seen the collapse of the once-hegemonic Ulster Unionist Party in the face of the challenge from Paisley's DUP—driven in the first instance by the latter's charges of betrayal, backsliding and compromise with the nationalist agenda. There has also been a class element to the rivalry between the Ulster Unionists and the DUP: the former party was deservedly seen as a vehicle for the bourgeoisie, the big bourgeoisie and the very big bourgeoisie, while the DUP drew much of its leadership group from the lower-middle class and directed some of its fire at 'Big House' unionism as practised by the lords and ladies of the UUP. [31] Yet the DUP has been able to strike this note of class resentment while remaining fully committed to neo-liberal economics. Since the volte face of 2007, Paisley's successors in the DUP hierarchy have spent a good deal more time worrying about the unashamedly retrograde Traditional Unionist Voice party than about working-class loyalism.

In fact the loyalist paramilitaries were never likely to offer a promising departure point for any progressive current. The predominant focus of their campaign had been the random murder of Catholic civilians, and they recruited the appropriate cadre for such activities. Since the GFA was signed, much of that cadre has degenerated into a lumpen narco-bourgeoisie with a parasitic relationship to the communities in which they operate. This slide into a tasteless world of SUVs, gold chains and leather sofas was symbolized by the UDA's Shankill Road commander Johnny Adair, whose drug-fuelled egomania provoked a series of violent feuds. Elements of Belfast loyalism have recently added a new ingredient to their usual blend of gangsterism and flag-waving, organizing attacks on immigrants from Eastern Europe that forced dozens of Roma to leave the city fearing for their lives in 2009. Although the presence of such destructive, anti-social elements may prevent the loyalist paramilitaries from offering a positive political agenda for the Protestant working class, they are in a strong position to block the emergence of any alternative force which threatens their dominance. Mark Langhammer, an independent Labour councillor whose ward includes the loyalist

stronghold of Rathcoole, had his car blown up on orders from the local UDA boss John Gregg, about whom he was surprisingly generous:

*“Gregg wasn’t in fact the worst of them, in the sense that he didn’t live lavishly or push his money in your face, but he believed everything he said about the UDA’s need to keep control. The bomb was a message, a warning shot from them to me.”* [32]

Gregg was later assassinated by supporters of Johnny Adair. The playwright Gary Mitchell was also forced to leave his home in Rathcoole after a petrol-bomb attack by paramilitaries—an ironic reward for his efforts to articulate the experience of a community not over-burdened with sympathetic cultural representations. Largely powerless to influence these destructive tendencies, the representatives of political loyalism have nonetheless been tainted by association. Ervine’s successor as leader of the PUP, Dawn Purvis, recently resigned from the party, citing her belief that the UVF is unwilling to relinquish criminality and become a political actor. She wearily reflected that most UVF members had continued to vote for the DUP, ignoring the work of Ervine and his associates.

Account must also be taken of the broader political environment. The suspension for the best part of a decade of the Northern Ireland Assembly meant that there was no opportunity to challenge the bourgeois unionist parties on their social and economic record. The major decisions on the austerity programme will be made in London, although responsibility for implementing them is ‘devolved’. Yet a basic question remains: can the ideology of unionism itself be reconciled with left-wing politics? Unionism has always tended to glorify the most archaic and reactionary features of the British political order. By assuring working-class Protestants that the state is ‘theirs’ already, it has long acted as a barrier to mobilizations that could press demands upon that state. Loyalist opponents of the GFA are wont to complain that unionist culture is being repressed in the new Northern Ireland. It would be more accurate to say that unionists are repressed by that very culture.

### ***Mr Adams goes to Washington***

Across the communal divide, the outcome would seem to have been very different. Sinn Féin, the IRA’s political wing, is now firmly established as the dominant voice of Catholic nationalism in Northern Ireland. But this organizational triumph does not reflect the hegemony of traditional republican ideals. In almost every respect, Sinn Féin has turned its back on what the IRA said it was fighting for throughout the ‘long war’: its leaders have accepted partition and continued British rule in Northern Ireland, dismantled their military apparatus, recognized the police and courts, and denounced violence against British forces. Cries of ‘sell-out’ from republican opponents of the GFA are little more use in accounting for this ideological mutation than back-handed tributes to the growing maturity and realism of the Provo leadership offered by mainstream commentators. The starting-point of any serious analysis must be the political weakness of the republican movement as it began to contemplate an unarmed strategy in the 1980s.

The Provos always had a much narrower base of support than revolutionary nationalist movements in South Africa or Palestine. They were supported by a minority of the Catholic population in Northern Ireland and remained a completely marginal force in the South. In turn, the IRA’s military campaign was hamstrung by these political limitations. Arms shipments from Libya could not compensate for the restricted pool of active supporters available to the Provos. As a new decade rolled into view, with no evidence of the IRA’s capacity to force the British state out of Northern Ireland and a generation of cadres languishing in prison, republican strategists had to consider their options. As Sinn Féin’s press officer Richard McAuley put it in 1992: ‘We’re not going to realize our full potential as long as the war is going on in the North and as long as Sinn Féin is presented the way it is with regard to armed struggle and violence.’ [33]



These considerations pointed towards an IRA ceasefire, which duly followed in 1994. By that time, Gerry Adams had already moved a long way towards his objective of consolidating a 'pan-nationalist front', embracing the strictly constitutionalist SDLP, Fianna Fáil and the Irish-American lobby in Washington. As one radical critic pointed out, the formation of such an alliance would inevitably carry a heavy price: 'This is an impressive line-up in terms of general political clout but as a coalition, it can only hold together within the confines of a conservative agenda. It may be able to deliver some advance to the Catholic community in the North vis-à-vis the Protestants, but it will not deliver radical social change to anyone.' [34]

### ***A partial observer***

Adams and his allies had relinquished hope of imposing a British withdrawal in the lifetime of a single parliament; yet they still aimed to secure a dilution of British control over Northern Ireland, through some combination of joint sovereignty between London and Dublin, dynamic cross-border political structures, and a declaration from the British government that it favoured a united Ireland and would attempt to persuade unionists of its desirability. Such ambitions, however, would run up against the settled position of the British establishment, and the reluctance of Sinn Féin's allies in the 'pan-nationalist front' to push too hard against that consensus. The question of British state policy has been largely neglected in discussion of Northern Ireland's recent history. If republican and socialist writers were often guilty in the past of depicting Ulster unionism as a mere sock-puppet of the British ruling class, the pendulum has swung very much in the opposite direction and the mainstream view now presents the London elite as a bemused spectator observing the quarrel of two Irish tribes. Much emphasis has been laid on a speech delivered in 1990 by Peter Brooke, Thatcher's Northern Ireland Minister, in which he affirmed that London had no 'selfish strategic or other interest' in the region—a claim reiterated by British ministers and civil servants on many occasions since. These protestations need not be dismissed, as long as they are parsed carefully. The economic value of Northern Ireland to the British state is negligible, and the strategic imperatives which were so compelling during the first half of the twentieth century have effectively disappeared in the post-Cold War era. Yet Brooke did not claim that Britain was politically neutral, and with good reason, as John Major and Tony Blair went on to declare their positive support for the Union as loudly as anyone could wish.

Few states are keen to relinquish part of their national territory, or to share control over it with a neighbour. This preference lurks behind the insistence that constitutional change cannot take place without the support of a majority within Northern Ireland. Now almost universally viewed as a self-evident democratic tenet, the 'consent principle' in fact glosses over the problematic nature of self-determination when there is a dispute about the political unit within which it should be exercised. The British state has long propounded the partition settlement of the 1920s as the unquestionable foundation-stone of any peace agreement, an unambiguously partisan intervention in itself. That settlement was anything but a fair attempt to recognize the competing national allegiances of the island's inhabitants: over a third of Northern Ireland's initial population rejected its legitimacy, and there were nationalist majorities in two of its six counties, its second-largest city and approximately half of its geographical area. There have not been many polities that rested on such a slender base of popular consent, now further eroded by the growth of the nationalist population. Partition—certainly in the form that it assumed—reflected not an effort to apply Wilsonian principles, but a victory for the Conservative-Unionist bloc in its determination to keep the Union Jack flying over as much territory as could be safely pacified.

This is more than simply a matter of recalling historic wrongs: it raises questions about the 'consent principle' that no British government has deigned to address. Republicans—including those who opposed the Provo campaign—have always contended that the unit of self-determination should be the whole island, not the statelet carved out of its north-eastern corner. This view can be challenged

on the practical grounds that unionist opposition to an all-Ireland state would be so pronounced as to make it ungovernable. However, London has never advanced this plausible—though not impregnable—argument as a rationale for its position: British politicians and diplomats simply ignore the republican perspective on self-determination, affecting to believe that common sense permits no conclusion apart from their own. They have also ruled out any move towards joint sovereignty between the two states, with Thatcher's 'out, out, out' reply to nationalist aspirations expressed in more soothing tones. [35] The cross-border elements of the GFA have been aptly described as 'woefully thin' in the most useful analysis of the new political dispensation. [36] Bi-nationalism remains an aspiration, and the 'consultative' role assigned to Dublin under the terms of the GFA is precisely that: British governments are free to ignore any advice proffered by Irish politicians, and have done so repeatedly.

This unequal power relationship has been most evident in London's handling of security. A commission headed by Chris Patten was assigned the task of drawing up a blueprint for policing reform, which was excluded from the GFA negotiations. Blair's government set about diluting its proposals before introducing legislation at Westminster, meanwhile allowing the security establishment to take charge of the reform process and keep it within safe boundaries. It would be inaccurate to claim that the reconstituted Police Service of Northern Ireland (PSNI) is indistinguishable from the old RUC: there have been significant changes, but those modifications reflect the shifting requirements of the British state, which no longer has to confront a full-scale republican insurrection. The name and symbols of the force have been altered so that it is no longer so closely identified with unionism, and considerable efforts have been made to increase Catholic representation among its officers: new recruitment is supposed to be on a fifty-fifty basis. There is now a civilian Policing Board that includes nationalist politicians, and the PSNI hierarchy will doubtless try to keep them happy if at all possible. Yet matters which fall under the capacious heading of 'national security' need not be referred to the Board.

The practical import of this loophole was made clear in March 2009, when then-Chief Constable Hugh Orde requested the deployment of the Special Reconnaissance Regiment in Northern Ireland. Given the murky history of British special forces in the region, Martin McGuinness was hardly exaggerating when he warned that 'many of these forces have been as much a danger to the community as any other group' and described Orde's decision as 'stupid and dangerous'. [37] Yet the nationalist parties were unable to do anything about it. The controversy was overshadowed by the lethal attacks on British soldiers carried out by 'dissident' republicans shortly afterwards, demonstrating the utility of dead-end republican militarism for those seeking to preserve the status quo.

The legislative innovations of the UK 'war on terror' have given the PSNI tools that its predecessor would have envied: above all, 28-day detention without charge and random 'stop-and-search' powers, which have been used with increasing regularity. Sinn Féin held out for the full implementation of the Patten Report and refused to join the Policing Board for several years, but capitulated in 2006 to pressure from all directions to endorse the PSNI before it could share power with the DUP. The decision came at a moment of extreme political weakness for the Provisional movement, and has left republicans loyal to Gerry Adams in a position where they are expected to defend the actions of the police without complaint or face unionist charges of undermining the struggle against terrorism.

The outer limits of security reform came sharply into view when Canadian judge Peter Cory delivered his report into the 1989 murder of nationalist solicitor Pat Finucane. Charges of state complicity in the killing had been raised almost immediately after Finucane's death: the UDA hit team which carried out the murder was composed entirely of government agents. During talks held to secure the implementation of the GFA, the British government pledged to hold an inquiry into

Finucane's death if an international judge deemed it necessary. Having unearthed striking evidence of collusion, Cory warned that it would be considered a 'cynical breach of faith' if Blair's administration did not hold a public inquiry. [38] This proved to be a risk that Blair was willing to take, as his government rushed to implement legislation that would make the holding of an effective probe impossible. The Police Ombudswoman Nuala O'Loan might be permitted to shed some light on the symbiotic relationship between RUC Special Branch and the loyalist paramilitaries, but there was no question of allowing an inquiry to damage the reputation of the 'mainland' army and intelligence services, which were needed for important work on fresh battlefields.

The Sinn Féin-DUP coalition appears to have stabilized after facing an apparently terminal crisis last year. The leadership teams of both parties have invested much political capital in making the arrangement last and have thus far managed to contain opposition to their chosen course. While it would be wise to anticipate renewed turbulence in the near future, the probability is that unionist and nationalist political elites will continue to share whatever power London chooses to assign them. The fiscal leash will be tightened at every opportunity, and politics will remain frozen in a sectarian mould that leaves both sections of the working class short-changed: the GFA certainly did not create the communal divide in Northern Ireland, but it offers no plausible route towards its supersession or even diminution over time. Previous moments in history when it appeared possible to break through the sectarian logjam—from the 1790s to the 1960s—came at a time when the international scene had taken a turn to the left. Without such a turn in the coming period, grounds for optimism are tenuous. The end of the war is certainly to be welcomed, but the peace which has followed offers little reason for cheer.

### **3. EUROPE'S WEAK LINK?**

Will the South make its own contribution to a wider leftwards shift? At the beginning of 2009, three months into the financial crisis, Brian Lenihan felt assured enough to boast: 'The steps taken have impressed our partners in Europe, who are amazed at our capacity to take pain. In France, you would have riots if you tried to do this.' [39] The same assessment of the Irish character was made—with a rather different value judgement—by the Greek demonstrators who chanted 'We are not Ireland, we will resist'. [40] The actions of Lenihan's government in the meantime might fairly be seen as an attempt to test his claim to destruction. Yet civil unrest has thus far been minimal, and certainly insufficient to compel a shift in government policy.

The inherited frailties of the Irish left have already been noted. Although many of the factors that induced this weakness have now passed into history, it remains a debilitating legacy: there are no traditions of struggle comparable to those of Greece and Portugal to be drawn upon. The combativity of the trade-union movement has been sapped by two decades of corporatism known as 'social partnership'. Business leaders saw the partnership system as a convenient way of limiting wage increases at a time when unemployment was too low to supply the necessary blackmail. More valuable still was the anaesthetizing effect it had on organized labour, as the unions discarded any sense of themselves as a social movement with a distinctive and radical vision that clashed with the dominant forces in Irish society. The price paid in return was remarkably small: the Republic lacks even a weak union-recognition act and the years of 'partnership' saw a steady erosion of union density in the private sector.

Now that the dole queues are doing a better job of disciplining the labour force than any national agreement could, Irish capitalism has decided to launch a frontal assault on the trade-union movement in its remaining bastions. The union hierarchy has largely resisted acknowledging this and its stop-start mobilizations, intended to secure a return to the bargaining table, have been

ignored by the government. Every time a march has been called—most recently in the immediate wake of the EU-IMF deal—there has been a very healthy turn-out, followed by months of inactivity. Europhile elements in the trade union movements will also have to shed their illusions about the progressive role of the European Union if there is to be any serious opposition to an austerity programme dictated from Brussels. The radical left, which would dearly like to organize a more sustained campaign of protest, enjoys a very limited social footprint and has proved incapable of mobilizing large numbers without the support of the official trade-union leadership.

At present, all eyes are fixed on the imminent general election. Cowen's leadership has dissolved in farcical circumstances and his successor—unknown at the time of writing—will have no time to repair the damage. It is a measure of Fianna Fáil's decline that a 20 per cent score would now be considered a welcome revival: at any other time since the party first gained power, such a performance would have been greeted with the horror Christians reserve for the Apocalypse. The first opinion poll following the EU-IMF agreement placed the party fourth, at 13 per cent, behind Fine Gael, Labour and Sinn Féin. Given the social breadth of support for Fianna Fáil throughout its history, the impending crash will see votes distributed all over the political spectrum. A party system that has remained remarkably stable since the 1930s looks set for unprecedented shocks and realignments; whether this reconfiguration favours the left will depend very much on the strategies adopted by its component parts. At the time of writing, Labour appears set to win its biggest share of the vote since the state was founded, overtaking Fianna Fáil. Indeed, as the political correspondent of the Irish Times has noted: 'Combined support for Labour, Sinn Féin and independents/others is now at 51 per cent, opening up the prospect of a Labour-led left bloc as an alternative to a Fine Gael-Labour coalition.' [\[41\]](#) The shift towards Labour is likely to prove more a symptom than an agent of change: the party's track record and current orientation suggest that it will prefer the traditional path towards a coalition with Fine Gael rather than attempt the formation of Ireland's first left-of-centre government. Labour has positioned itself as the main opponent of Fianna Fáil austerity and earned a few scoldings from political commentators for its 'populism' and 'unreality'. The party leadership has already begun to tack its sails in response to such criticism, and can be expected to go much further once in power.

#### ***Fourth bloc***

The most probable outcome of the poll is a Fine Gael-Labour coalition with a solid majority, challenged on the one hand by a demoralized and discredited Fianna Fáil, and on the other by a 'fourth bloc' standing to the left of Labour, whose prospects appear brighter after recent polls. [\[42\]](#) The situation may hold some promise for the left, but much will depend on the size of the 'fourth bloc' and the relative strength of its heterogeneous components, which range in ideological terms from social democracy to Trotskyism. However large this bloc proves to be, its main component will be Sinn Féin: the party is set to achieve its best result in the South since the split with De Valera in the 1920s.

Sinn Féin was the only party in the Dáil to oppose the EU-IMF deal outright and has put forward a robust left-wing agenda in the wake of the latest crisis. Although the party is often denounced as a 'Marxist' organization by conservative pundits, its ideological character is far more ambiguous and contradictory than such labels would suggest. There have been repeated attempts to blend socialist politics with republicanism since the defeat of the anti-Treaty forces in the Civil War. The most significant organizations to the left of social democracy, from the Republican Congress in the 1930s to the Workers Party in the 1980s, have all emerged from this putative synthesis. The conspiratorial and militaristic style of the republican tradition has often scuppered such efforts, while its overriding commitment to finishing the national revolution has tempted left-wing republicans to postpone any struggle for socialism until 'the Republic' has been won.

Under the leadership of Gerry Adams, Sinn Féin has generally followed the latter course: its close relationship with the ANC has been used to help legitimize a strategy that relieves the movement of any obligation to pursue socialist objectives north of the border. [43] Yet its southern activists have tended to retain a serious left-wing outlook and the party has found its niche to the left of Labour in the crowded political terrain of the South, picking up support in working-class Dublin estates that have been abandoned by the Labour Party in its pursuit of Blairite respectability. Senior figures in the Dublin party have put forward carefully worded but trenchant criticisms of the northern leadership since the disappointing 2007 general election. [44] Sinn Féin enjoys a unique status as the only all-Ireland party with significant backing in both states. The strain of reconciling its interventions in radically different political landscapes is now very much in evidence as the party denounces cutbacks in the South while implementing them in the North: formulas about the 'national democratic revolution' borrowed from its international allies have reached the limit of their elasticity. It is hard to predict what use Sinn Féin will make of its increased mandate after the election: a strong performance by the more radical forces grouped in the United Left Alliance—predominantly Trotskyist in ideology, notably the Irish sections of the former Militant Tendency and Socialist Workers Party, which possess a certain weight in parts of the country—will increase the pressure to maintain a left-wing course. Above all, an end to the passivity which evoked Lenihan's smug benediction will be required if the crisis of Fianna Fáil is to become a crisis of conservative politics in general.

## **Outlook**

While Labour and Fine Gael have attacked the terms of the agreement concluded by Fianna Fáil with Ireland's foreign creditors, the safest bet is that the new government will plead its impotence to change those terms once in office. If so, another crisis is inevitable within the next year or so. The EU-IMF agreement cannot work, even on its own terms. Quite apart from the social suffering it will impose on a broad swathe of the population, its probable outcome will be to break the Irish economy altogether. Adding the burden of punitive interest repayments to a state already struggling to keep its head above water will guarantee collapse. The growth projections underpinning the latest government plan lack even a semblance of plausibility. As the think-tank TASC argued in its analysis of Lenihan's December budget:

*"The Department of Finance is forecasting that GDP will increase by 1.7 per cent in 2011 and by an average of 3 per cent per annum over the period 2012-2014. These growth numbers are predicated on exports increasing by an average of 4.6 per cent per annum, at a time when our major trade partners are forecast to experience growth rates of less than half that amount. Given the massive debt overhang, the uncertainty in the banking sector and absence of credit that will continue to constrain the domestic economy, it is unclear on what grounds Ireland is expected to outperform other advanced economies . . . If lower growth than that projected by the Department of Finance occurs, the general government deficit will still be greater than the nominal growth level in 2014, and the debt ratio will still be moving in an unsustainable direction."* [45]

Ireland is heading towards a sovereign default, as independent analysts at home and abroad have already noted. [46] The only way out of the current mess, for both the Irish and the European economies, is to impose a loss on the bondholders who engaged in speculative commercial activity yet expect unlimited compensation for their gambling losses from public funds. If the losses incurred by private banks were excluded from the national debt, Ireland would have a reasonable chance of stabilizing its finances over the next few years. Until this step is taken, the prospects of recovery are negligible. Had they been fortunate enough to possess a modicum of courage and insight, the current power-holders in Dublin would have beaten a path to Lisbon, Athens and Madrid, urging their fellow PIGS to form a bloc within the EU that could challenge the ruinous appeasement of bondholders. Instead, they have spent the last year assuring their citizens that 'Ireland is not



Greece’—until the point was reached when the Greek prime minister felt obliged to state that ‘Greece is not Ireland’. It is getting very late in the day for such alliances to be formed. But in their absence, the list of those hanging separately will surely extend far beyond the periphery of the Eurozone.

20 January 2011

**DANIEL FINN**

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**P.S.**

\* From the New Left Review 67, January-February 2011.

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## **Footnotes**

[1] Friedman, ‘Follow the leapin’ leprechaun’, New York Times, 1 July 2005; Osborne, ‘Look and learn from across the Irish Sea’, The Times, 23 February 2006.

[2] Leader: ‘Was it for this?’, Irish Times, 18 November 2010. Some Europhile intellectuals have been unable to absorb the evidence of their own eyes, so reluctant are they to discard a benign view of the European Union. A striking example was Colm Tóibín’s response to the Irish Times editorial: ‘There are two things which have happened in my lifetime which I still feel a sort of reverence for. One is the Good Friday Agreement, and the other is the European Union’—‘Thus when the Irish Times on Thursday mentioned “the German chancellor” I did not automatically feel that this person was in some way a malignant force in the world. Instead, I saw someone rational and prudent, sensible and deeply intelligent. So, too, when the Irish Times mentioned “a few shillings of sympathy from the British chancellor on the side”, I didn’t feel any shame at all. I noticed in the past week that the tone of the British chancellor has seemed both sympathetic and reasonable.’ Colm Tóibín, ‘Looking at Ireland, I don’t know whether to laugh or cry’, Guardian, 20 November 2010.

[3] David Hegarty, ‘Framework for the evaluation of the Structural Funds in Ireland’, National Development Plan/Community Support Framework Evaluation Unit, Dublin 2003.

[4] Denis O’Hearn, ‘Macroeconomic policy in the Celtic Tiger: a critical reassessment’, in Colin Coulter and Steve Coleman, eds, *The End of Irish History? Critical Reflections on the Celtic Tiger*, Manchester 2003, p. 38.

[5] Fintan O’Toole, *After the Ball*, Dublin 2003, p. 162.

[6] Kieran Allen, *Ireland’s Economic Crash*, Dublin 2009, p. 36.

[7] Peadar Kirby, *Celtic Tiger in Collapse: Explaining the Weaknesses of the Irish Model*, Basingstoke 2010. p. 35.

[8] See Allen, *Ireland’s Economic Crash*, p. 44; Kirby, *Celtic Tiger in Collapse*, p. 41. Employment in financial services rose by 43 per cent over the same period, while industrial employment

contracted by 9 per cent.

[9] Morgan Kelly, 'If you thought the bank bailout was bad, wait until the mortgage defaults hit home', *Irish Times*, 8 November 2010.

[10] Peadar Kirby, 'Globalization, the Celtic Tiger and Social Outcomes: Is Ireland a Model or a Mirage?', *Globalizations*, December 2004, p. 216.

[11] OECD Public Management Reviews, *Ireland: Towards an Integrated Public Service*, Paris 2008, pp. 15–16.

[12] Eilis O'Hanlon, 'Man of cloth recast as just a jobsworth', *Sunday Independent*, 21 March 2010.

[13] In Fintan O'Toole, 'Popular thinking on crisis swept aside', *Irish Times*, 13 April 2010.

[14] Dick Walsh, *The Party: Inside Fianna Fáil*, Dublin 1986, p. 3.

[15] Fianna Fáil candidates have usually received more working-class votes than the whole of the Irish left. In the 1977 election—admittedly a good year for Fianna Fáil—its shares of the skilled and unskilled working-class vote were 54 and 47 per cent respectively, while the Irish Labour Party managed 11 and 16 per cent. Paul Bew, Ellen Hazelkorn and Henry Patterson, *The Dynamics of Irish Politics*, London 1989, p. 167.

[16] This compares to 1920s figures of just under 15 per cent for Norway, 14 per cent for Scotland and 11 per cent for Sweden. See Terence Brown, *Ireland: A Social and Cultural History, 1922–2002*, London 2004, p. 10. Brown notes: 'The continuous Irish diaspora, under way since the Famine, kept the population of the country as a whole almost stable throughout most of the modern period.'

[17] These have averaged three years per decade in the post-war period: 1948–51; 1954–57; 1973–77; 1982–87; 1994–97.

[18] An excellent account can be found in Niamh Puirseil, *The Irish Labour Party 1922–73*, Dublin 2007. After abandoning its anti-coalition stance and serving in two Fine Gael-led governments, Labour's share of the national vote fell from 17 in 1969 to 6 per cent in 1987—with a plunge from 28 to 7 per cent in the nation's capital.

[19] Bew, Hazelkorn and Patterson, *The Dynamics of Irish Politics*, p. 142.

[20] In 1981, under 40 per cent of the electorate had no fixed party attachment; by 2002 this had risen to 75 per cent. See Allen, *Ireland's Economic Crash*, p. 31.

[21] It has been suggested that the electoral system itself is responsible for the current predicament: 'If the boom–bust cycle of the last 30 years has taught us anything, it is that nothing will ultimately change until we move away from the multi-seat constituencies that foster parish-pump politics, sacrificing the wider public good for narrow, vested interests. Dumping our electoral system . . . would bring about a real revolution in how politics in this country operates.' Shane Coleman, 'Politicians are a part of the solution', *Sunday Tribune*, 12 December 2010. It is quite true that Irish politicians are often assigned the role of making representations on behalf of individual constituents to state agencies, and possibly the electoral system reinforces that

narrowing of horizons, its proportional character being more competitive than first-past-the-post systems. The PR-STV model—multi-seat constituencies, with ‘surplus’ votes of successful or eliminated candidates transferred according to specified preferences—was introduced by the British in 1920 (as in South Africa’s transition from apartheid, the protection of minorities was then considered imperative). There may be a case for electoral reform on its own merits; but linking that case to the economic meltdown is a brazen con intended to divert attention from the relationship between political and economic notables: there were no bankers or property developers waiting in local constituency offices asking for favours from Fianna Fáil TDs.

[22] Bob Rowthorn and Naomi Wayne, *Northern Ireland: The Political Economy of Conflict*, Cambridge 1988, p. 94.

[23] Jim Smyth and Andreas Cebulla, ‘The glacier moves? Economic change and class structure’, in Colin Coulter and Michael Murray, eds, *Northern Ireland after The Troubles: A Society in Transition*, Manchester 2008, p. 180.

[24] Like its southern neighbour, the Northern Irish economy has benefited from EU support, receiving £1.7 billion between 1989 and 1999: proof enough that funding from Brussels is insufficient to remedy long-term structural weaknesses without the aid of other stimuli.

[25] Rowthorn and Wayne, *Northern Ireland*, pp. 98–9.

[26] Smyth and Cebulla, ‘The glacier moves’, p. 188.

[27] It has been calculated that the poorest 40 per cent of the population will lose more than 5 per cent of their net income as a result of tax and benefit changes to be introduced between 2010 and 2015. See Institute for Fiscal Studies, ‘The Impact of Tax and Benefit Reforms to be Introduced between 2010–11 and 2014–15 in Northern Ireland’, London 2010, p. 9.

[28] Smyth and Cebulla, ‘The glacier moves’, p. 185. The same authors recall a survey which identifies 36 per cent of Catholic households as ‘poor’, while placing 25 per cent of Protestant households in the same category.

[29] Bell, *The British in Ireland: A Suitable Case for Withdrawal*, London 1984, p. 72.

[30] Members of the Assembly are elected on the PR-STV system used in the Republic, although Northern Ireland continues to elect eighteen MPs to the House of Commons on a first-past-the-post basis.

[31] This motif was entirely subordinate to the sectarian triumphalism and fear-mongering which was Paisley’s stock-in-trade for most of his political life, and should not be mistaken for any sort of progressive class analysis.

[32] Ian Wood, *Crimes of Loyalty: A History of the Ulster Defence Association*, Edinburgh 2006, p. 269.

[33] Henry Patterson, *The Politics of Illusion: A Political History of the IRA*, London 1997, p. 239.

[34] Eamonn McCann, *War and Peace in Northern Ireland*, Dublin 1998, p. 155.

[35] Thatcher was responding to the report of the New Ireland Forum, an assembly of non-violent

Irish nationalists convened by the Dublin government in the 1980s with the explicit purpose of isolating the Provos. Its proposals for constitutional change—a unitary Irish state, a federal state, or joint sovereignty between London and Dublin—were dismissed out of hand by the British government, with Thatcher’s customary talent for sugaring the pill very much in evidence.

[36] Jonathan Tonge, *The New Northern Irish Politics?*, Basingstoke 2005, p. 264.

[37] ‘Forces are a threat: McGuinness’, BBC News, 6 March 2009.

[38] Cory Collusion Inquiry Report: Patrick Finucane, London, 2004, p. 109.

[39] Anne Lucey, ‘Europe “amazed” at steps taken in budget: Lenihan’, *Irish Times*, 27 April 2009.

[40] Helena Smith, ‘Athens protest: “We are at war with them, as they are with us”’, *Guardian*, 10 February 2010. I have heard a variation of the same point from a trade unionist who told a meeting: ‘I’m sure you’ve all heard the joke: what’s the difference between Iceland and Ireland? One letter and six months. Well, here’s the real difference: they brought down the government and we didn’t.’

[41] Stephen Collins, ‘Fianna Fáil facing meltdown’, *Irish Times*, 16 December 2010.

[42] As one Fianna Fáil sympathizer has noted: ‘It appears that the anti-establishment anger or mood for change in some sectors of the electorate, particularly the young, is looking increasingly beyond the Labour Party for other alternatives . . . Candidates from the “fourth bloc” polled more than half a quota in over a third of the 43 constituencies in 2007, which means the swing required for a real breakthrough is not massive.’ Noel Whelan, ‘SF and left-wing independents set to burst out of blocs’, *Irish Times*, 11 December 2010.

[43] A number of prominent ANC leaders have visited Belfast to give their support to the Sinn Féin leadership at crucial stages of the peace process; this continues a relationship that dates back to the 1980s and has been a constant source of irritation to conservative politicians who believe that the ‘statesmen’ of the ANC should be meeting them instead.

[44] One of those figures—the chair of Dublin Sinn Féin—has recently published a fascinating commentary on republican and left-wing politics in modern Ireland, notable both for its coded criticisms of his party and stimulating reflections on the travails of the Irish Left: Eoin Ó Broin, *Sinn Féin and the Politics of Left Republicanism*, London 2009.

[45] TASC, *Response to Budget 2011*, Dublin 2010, pp. 3–4.

[46] David McWilliams, ‘Bailout will sink Ireland before we can even swim’, *Irish Independent*, 1 December 2010; Wolfgang Munchau, ‘Will it work? No. What can Ireland do? Remove the bank guarantee and default’, *Irish Times*, 2 December 2010.