Source of crisis

- Current account imbalances
- Growth of private sector debt

The logic of EMU re crisis response

- Burden of adjustment to be borne through ‘internal devaluation’ – ruling out of monetary and fiscal discretion
- “Either the euro subverts the welfare state, or Europe’s welfare state subverts the euro… smart money should bet on the euro”
- Long-term project to abolish “the tiresome influence of popular, democratic institutions on macro-economic policy” (Steve McGiffen)

Will there be a growth treaty?

- Hollande, Draghi, even Merkel?
- Pro-growth rhetoric understood in terms of structural reforms on the supply side, especially in the labour market – not tackling the crisis of domestic demand
- Once the treaty is passed, even such language will probably dissipate

Instrumentality of crisis

- “Growth enhancing measures [are] not about stimulating demand. It is about releasing growth through structural reforms, particularly when it comes to regulatory barriers to entry in domestic service sectors” (Swedish Finance Minister, February 2012)

- “Recent experience has shown that market interest rates do play a role in pushing government towards reforms”; ECB buying sovereign bonds means “there’s a risk that you mute the incentives that come from the market” (head of German Central Bank re Italy, November 2011)

The Yes side in Ireland

- Need to balance books anyway
- Access to second ‘bail out’ (insurance policy)
- Impact on investment and associated other ‘fear factors’

Balancing the books

- Structural deficit could be 3.7% in 2015 – need to reduce that likely to lead to deeper austerity; estimate of 5.7 billion Euro gap in 2015

- In conjunction with probably similar trends across Eurozone

Average annual GDP growth rates, 2012-2016 (%)

	IMF	Fiscal Treaty
EU	1.5	0.9
Eurozone	1.0	0.5
Germany	1.2	1.0
France	1.4	0.7
Italy	0.1	-0.6

Funding access

- European Stability Mechanism
- “We will continue to provide support to countries under a programme until they have regained market access” (EU summit communique, 30 January 2012)
- Relationship with debt and taxation issues

A bargaining chip?

- “ask yourself this question – will a ‘no’ vote improve our chances of a renegotiation of our debt, damage our chances or leave our chances the same? The position.. here is that a ‘no’ vote will improve our chances by signalling that Ireland will be inconvenient and un-European and a ‘no’ vote in a referendum one day may become a unilateral disowning of promissory notes the next. Unless Ireland adopts a stance which at least makes clear the threat of default then the view.. here is we will get no-where” (namawinelake)

Investment and other threats

- No quantifiable impact on investment
- Threat of harsher budget for 2013
- A referendum on euro membership?

- Click to edit Master text styles
  - Second level
  - Third level
    - Fourth level
      - Fifth level

Democracy

- If treaty is passed, government will introduce legislation concerning debt brake, structural deficit, etc. What happens if a future government decides to repeal this legislation? Such a government would be in breach of Article 3(2) of the treaty and amenable to action against it in the European Court of Justice. So could be taken to court for altering economic policy...

Balance of forces

- Government and largest opposition party supporting; likewise employers' and farmers' groups
- Left-leaning opposition (Sinn Fein and United Left Alliance) opposed, also some independent members of parliament
- Four trade unions opposed; largest union and Irish Congress of Trade Unions not taking a clear position
- Role of media

How will it go?

- Fear versus anger (reflected in protest against recent new household charges)
- “hold tight to your anger and don’t fall to your fear” – Bruce Springsteen