The Bank Guarantee That Bankrupted Ireland

The Irish have a long history of being tyrannized, exploited, and oppressed-from the forced conversion to Christianity in the Dark Ages, to slave trading of the natives in the 15th and 16th centuries, to the mid-nineteenth century "potato famine" that was really a holocaust. The British got Ireland's food exports, while at least one million Irish died from starvation and related diseases, and another million or more emigrated.

Today, Ireland is under a different sort of tyranny, one imposed by the banks and the troika-the EU, ECB and IMF. The oppressors have demanded austerity and more austerity, forcing the public to pick up the tab for bills incurred by profligate private bankers.

The official unemployment rate is 13.5%-up from 5% in 2006-and this figure does not take into account the mass emigration of Ireland's young people in search of better opportunities abroad. Job loss and a flood of foreclosures are leading to suicides. A raft of new taxes and charges has been sold as necessary to reduce the deficit, but they are simply a backdoor bailout of the banks.

At first, the Irish accepted the media explanation: these draconian measures were necessary to "balance the budget" and were in their best interests. But after five years of belt-tightening in which unemployment and living conditions have not improved, the people are slowly waking up. They are realizing that their assets are being grabbed simply to pay for the mistakes of the financial sector.

Five years of austerity has not restored confidence in Ireland's banks. In fact the banks themselves are packing up and leaving. On October 31st, RTE.ie reported that Danske Bank Ireland was closing its personal and business banking, only days after ACCBank announced it was handing back its banking license; and Ulster Bank's future in Ireland remains unclear.

The field is ripe for some publicly-owned banks. Banks that have a mandate to serve the people, return the profits to the people, and refrain from speculating. Banks guaranteed by the state because they are the state, without resort to bailouts or bail-ins. Banks that aren't going anywhere, because they are locally owned by the people themselves.

The Folly of Absorbing the Gambling Losses of the Banks

Ireland was the first European country to watch its entire banking system fail. Unlike the Icelanders, who refused to bail out their bankrupt banks, in September 2008 the Irish government gave a blanket guarantee to all Irish banks, covering all their loans, deposits, bonds and other liabilities.

At the time, no one was aware of the huge scale of the banks' liabilities, or just how far the Irish property market would fall.

Within two years, the state bank guarantee had bankrupted Ireland. The international money markets would no longer lend to the Irish government.

Before the bailout, the Irish budget was in surplus. By 2011, its deficit was 32% of the country's GDP, the highest by far in the Eurozone. At that rate, bank losses would take every penny of Irish taxes for at least the next three years.

"This debt would probably be manageable," wrote Morgan Kelly, Professor of Economics at University College Dublin, "had the Irish government not casually committed itself to absorb all the gambling losses of its banking system."

To avoid collapse, the government had to sign up for an €85 billion bailout from the EU-IMF and enter a four year program of economic austerity, monitored every three months by an EU/IMF team sent to Dublin.

Public assets have also been put on the auction block. Assets currently under consideration include parts of Ireland's power and gas companies and its 25% stake in the airline Aer Lingus.

At one time, Ireland could have followed the lead of Iceland and refused to bail out its bondholders or to bow to the demands for austerity. But that was before the Irish government used ECB money to pay off the foreign bondholders of Irish banks. Now its debt is to the troika, and the troika are tightening the screws. In September 2013, they demanded another 3.1 billion euro reduction in spending.

Some ministers, however, are resisting such cuts, which they say are politically undeliverable.

In The Irish Times on October 31, 2013, a former IMF official warned that the austerity imposed on Ireland is self-defeating. Ashoka Mody, former IMF chief of mission to Ireland, said it had become "orthodoxy that the only way to establish market credibility" was to pursue austerity policies. But five years of crisis and two recent years of no growth needed "deep thinking" on whether this was the right course of action. He said there was "not one single historical instance" where austerity policies have led to an exit from a heavy debt burden.

Austerity has not fixed Ireland's debt problems. Belying the rosy picture painted by the media, in September 2013 Antonio Garcia Pascual, chief euro-zone economist at Barclays Investment Bank, warned that Ireland may soon need a second bailout.

According to John Spain, writing in Irish Central in September 2013:

The anger among ordinary Irish people about all this has been immense. . . . There has been great pressure here for answers. . . . Why is the ordinary Irish taxpayer left carrying the can for all the debts piled up by banks, developers and speculators? How come no one has been jailed for what happened? . . . [D]espite all the public anger, there has been no public inquiry into the disaster.

Bail-in by Super-tax or Economic Sovereignty?

In many ways, Ireland is ground zero for the austerity-driven asset grab now sweeping the world. All Eurozone countries are mired in debt. The problem is systemic.

In October 2013, an IMF report discussed balancing the books of the Eurozone governments through a super-tax of 10% on all households in the Eurozone with positive net wealth. That would mean the confiscation of 10% of private savings to feed the insatiable banking casino.

The authors said the proposal was only theoretical, but that it appeared to be "an efficient solution" for the debt problem. For a group of 15 European countries, the measure would bring the debt ratio to "acceptable" levels, i.e. comparable to levels before the 2008 crisis.

A review posted on Gold Silver Worlds observed:

> [T]he report right away debunks the myth that politicians and main stream media try to sell, i.e. the crisis is contained and the positive economic outlook for 2014.
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> . . . Prepare yourself, the reality is that more bail-ins, confiscation and financial repression is coming, contrary to what the good news propaganda tries to tell.

A more sustainable solution was proposed by Dr Fadhel Kaboub, Assistant Professor of Economics at Denison University in Ohio. In a letter posted in The Financial Times titled "What the Eurozone Needs Is Functional Finance," he wrote:

> The eurozone's obsession with "sound finance" is the root cause of today's sovereign debt crisis. Austerity measures are not only incapable of solving the sovereign debt problem, but also a major obstacle to increasing aggregate demand in the eurozone. The Maastricht treaty's "no bail-out, no exit, no default" clauses essentially amount to a joint economic suicide pact for the eurozone countries.
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> . . . Unfortunately, the likelihood of a swift political solution to amend the EU treaty is highly improbable. Therefore, the most likely and least painful scenario for [the insolvent countries] is an exit from the eurozone combined with partial default and devaluation of a new national currency. . . .
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> The takeaway lesson is that financial sovereignty and adequate policy co-ordination between fiscal and monetary authorities are the prerequisites for economic prosperity.

Standing Up to Goliath

Ireland could fix its budget problems by leaving the Eurozone, repudiating its blanket bank guarantee as "odious" (obtained by fraud and under duress), and issuing its own national currency. The currency could then be used to fund infrastructure and restore social services, putting the Irish back to work.

Short of leaving the Eurozone, Ireland could reduce its interest burden and expand local credit by forming publicly-owned banks, on the model of the Bank of North Dakota. The newly-formed Public Banking Forum of Ireland is pursuing that option. In Wales, which has also been exploited for its coal, mobilizing for a public bank is being organized by the Arian Cymru 'BERW' (Banking and Economic Regeneration Wales).

Irish writer Barry Fitzgerald, author of Building Cities of Gold, casts the challenge to his homeland in archetypal terms:

> The Irish are mobilising and they are awakening. They hold the DNA memory of vastly ancient times, when all men and women obeyed the Golden rule of honouring themselves, one another and the planet. They recognize the value of this harmony as it relates to banking. They instantly intuit that public banking free from the soiled hands of usurious debt tyranny is part of the natural order.
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> In many ways they could lead the way in this unfolding, as their small country is so easily traversed to mobilise local communities. They possess vast potential renewable energy generation and indeed could easily use a combination of public banking and bond issuance backed by the people to gain energy independence in a very short time.

When the indomitable Irish spirit is awakened, organized and mobilized, the country could become the poster child not for austerity, but for economic prosperity through financial sovereignty.