AUSTERITY FOR ALL SEASONS: COMMUNICATING ON THE ECONOMY IN IRELAND

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**Recommended Citation**


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AUSTERITY FOR ALL SEASONS:
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AltAusterity International Conference 2019: Coping is not enough, Berlin, Germany, February 21st & 22nd.

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1. INTRODUCTION

Despite its small size of just under 5 million people (www.cso.ie), Ireland featured heavily in the 2008 financial crisis, being the northern exception to what was often pained as a southern European problem. Totaro (2010) included Ireland as one of the racially flavoured PIGS or PIIGS acronym, which listed the supposedly profligate countries of Portugal, Ireland and/or Italy, Greece and Spain as the location of the eurozone’s problems. Ireland’s experience has indeed been dramatic in going from boom to bust to boom over the last 20 years.

Ireland is a much discussed exemplar of the success & failure of austerity & neoliberalism (Barber, 2010; Brazys & Hardiman, 2015; Powell, 2003; Synon, 2009). Ireland’s celebrity may arise from its role as a success of the European Union (EU) economic project or its character as the most Anglo-American of the EU27. As the expected home of the newest EU land border Ireland is likely to remain of media interest for EU and wider economic policy.

The long history neoliberal and austerity framing of economic discourse in Ireland has been noted and explained (Phelan, 2007a&b; O’Rourke & Hogan, 2017). This neoliberal framing continued during the recent financial crisis. The main newspapers supported the priority of reducing the debt editorially (Mercille, 2017). Radio & newspaper treatment of the September 2008 bank guarantee showed a strong neoliberal understanding of the economy (O’Rourke & Hogan, 2014; Silke, 2015). The treatment of National Assets Management Agency – itself a state project dating from late 2009 to support the property market – received a neoliberal treatment in the media (Silke, 2015). Even within the austerity focus on government debt management, newspaper prioritised a neoliberal focus on expenditure cuts over tax increases (Mercille, 2017). While Ireland’s addiction to austerity has a long history (O’Rourke & Hogan, 2018), what about post-crisis and into the future? How has Ireland’s recent experience reinforced its neoliberal tendencies and what possibilities exist to join in the conversation about Ireland’s economy that might generate alternatives to austerity? To examine these questions the next section will provide a brief overview of the macroeconomic context in Ireland. This will be followed by a look at how the power of the economics profession has grown in Ireland over the last ten years. Corporation Taxation is the subject of the penultimate section. The conclusion then looks to future work to be done.

2. IRELAND’S ECONOMY: BOOM TO BUST TO BOOM

Ireland went from a Celtic Tiger boom economy in 2007 with a growth rate of 5% to a 7% fall in 2009 by way of bailout to its banking sector once estimated at a gross cost of €64 billion (Donovan & Murphy, 2013) or more than a quarter of national output in 2008 (World Bank,
2019). Yet, by 2018 GDP (Gross Domestic Product) growth in Ireland was again at 5% (www.cso.ie). While Ireland’s high level of Foreign Direct Investment (FDI), distorts GDP measures in the country, Figure 1 provides a more robust statistic that tell essentially the same boom-bust-boom story.

**Figure 1 Numbers Employed in Ireland by Quarter 2008-2018.**

Source and notes: Constructed from www.cso.ie data as downloaded 20190201. Employment is a good measure of the Irish economic performance: Given the high level FDI in Ireland results in problems with usual GDP measure that is generally used for international comparisons. Given the openness of the Irish Labour market, and discouragement of labour force participation as a downturn persists, unemployment figures are not as good an indicator as the employment numbers shown above. Since the labour market tends to lag the overall economy the period starts in 2008.

Figure 2 provides a timeline of Ireland’s fiscal crisis with Debt to GDP evolution shown along with the timing of the Bank Guarantee (announced in late September, 2008 and committing the state to ensure payment of loans to Irish banks), the political composition of governments across the crisis and the period of the Troika Bailout Programme.
Austerity in Ireland was severe. Between July 2008 and December 2011: Six serious fiscal adjustments were made, encompassing 2 rounds of expenditure adjustments, 3 austerity budgets and one supplementary austerity budget. The overall adjustment amounted to €29.6bn (65% expenditure cuts and 35% revenue increases) (Hardiman and Dellepiane, 2012). This had serious and long-term consequences for people’s lives, Irish society and economy, important aspects of which we do not have space for here (see Heffernan, Moore-Cherry & McHale, 2017 for an overview of the debates). Pertinent for the concern, in this paper, with economic discourses, was the significant shake-up of Budgetary Processes from 2011 to 2016 (MacCartaigh, 2017) including a year-round attention to budgeting and a considerable Europeanization of the process.

3. SECULAR RISE OF ECONOMICS’ PRIESTS IN IRELAND
Given Ireland’s status and history as part of the UK (1801-1921), the role of economics in its governance and the War of Independence before the formation of the Free State, it is perhaps not surprising that mainstream economists experienced some alienation from the Irish state up to 1950s. Paradoxically this seems to have allowed a pre-Keynesian British treasury model to become entrenched in government (O’Rourke & Hogan, 2017). However, from 1950s onwards economics has been growing in influence (FitzGerald & O’Rourke, 2018).

Economics can be understood as gaining influence from various fields (Maesse, 2015) and it is clear that such power has been increasing in Ireland across the crisis (FitzGerald & O’Rourke, 2018). Figure 3 outlines the pre-crisis and post-crisis state of economics in each of these fields. Unlike in some other countries, such as the United States of America (USA), in Ireland academic economists were critical of the management of the economy and were attacked by neoliberal politicians. This had the effect of strengthening the voice of economists, including neoliberal ones, in the post-crisis era (O’Rourke & Hogan, 2013). Indeed, the crisis was seen as partially arising from a lack of economists working for the state, and this has since been addressed on a number of fronts. In a break from tradition, from 2009, academic economists have been appointed Irish central bank governors. In the 2012, the economist dominated, Irish Fiscal Advisory Council (IFAC) and Irish Government Economic and Evaluation Service were established. There has also been recruitment of economists across the various government departments and the prestige of economists within the Department of Finance has been restored.

**Figure 3 Recent Eras of Irish Economics**

<table>
<thead>
<tr>
<th>Eras Of Irish Economics</th>
<th>Orders</th>
<th>Academic</th>
<th>Political</th>
<th>Business</th>
<th>Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2007 <em>Establishing/Asserting</em></td>
<td>Established &amp; growing in Higher Education</td>
<td>Neoliberal politicians attack economists</td>
<td>Support continues but some tension</td>
<td>Dismal experts discussed, but sidelined.</td>
<td></td>
</tr>
<tr>
<td>2008-2018 <em>Having a good crisis</em></td>
<td>Internationally profession critiqued but less so in Ireland</td>
<td>Greater Institutionlizing of profession</td>
<td>Engaged support.</td>
<td>More exposure</td>
<td></td>
</tr>
</tbody>
</table>

*Source:* FitzGerald & O’Rourke, (2018)
4. CORPORATE TAX TALK

As Mazzucato (2013) has pointed out, much of what drives the profits of corporations has been done at the expense of the state yet the state’s capacity to be entrepreneurial is being starved of funds due to decreasing corporate taxation takes (Toplensky, 2018). Decreased corporation taxation is a feature of a globalised capitalism that has resulted in a system where corporations have escaped democratic control. Ireland is networked into this international system given its openness (labour, trade, investment), smallness and culture (Regan & Brazys, 2018). As Figure 4 below illustrates, Ireland is home to many such corporations.

FIGURE 4 IRELAND’S WELCOMING OF FOREIGN DIRECT INVESTMENT

Source: https://www.idaireland.com/how-we-help/resources/infographics/fdi-in-ireland

There is a strong path dependency in Ireland’s focus on FDI. This policy has been embedded and resistant to change since late 1950s (Bailey and Lenihan, 2015; Cooper and Whelan, 1973; Hogan & O’Rourke, 2015; 2016). This can be seen in what the then leader of the Irish Labour Party & Minister of Foreign Affairs & Trade chose to note in 2016 about the priorities of Irish government in negotiations with other EU states, in March 2011: ‘We were determined to defend the rate [of Ireland’s Corporation Tax] come what may, because we knew that to maintain the flow of foreign direct investment was critical…’ (Gilmore, 2016, p.105). This is less surprising than first appears, given that Ireland’s recent recovery was based on FDI from the USA – seeded by the low corporation tax tradition and grown by access to EU buyers and labour (Regan and Brazys, 2018), more than fiscal help from Europe and despite the EU austerity.

The extent of Ireland entanglement with FDI corporations is illustrated by the recent Apple tax case and its treatment in the Irish media. In August 2016, the EU Commission ruled that Apple had received tax treatment that amounted to illegal state aid and needed to repay €13bn plus. Ireland is appealing the decision on grounds no special treatment for Apple and alleged intrusion by the Commission on national competence (Halpin & Humphries, 2016). Perhaps, such an appeal is no great surprise, given Ireland’s dependence on such companies. However, Irish media coverage has been rather shocking. For example, the national radio’s agenda setting
news show giving an extraordinarily long (over 23 minutes) soft celebrity type interview to Tim Cook to address the issue (Graham & O’Rourke, 2019). Analysis of the interview shows how the influence of FDI in Ireland mean neoliberal tropes of ‘bureaucratic overreach’, Apple-Ireland contracts as not subject to Commission challenge and importance of FDI to the economy (Graham & O’Rourke, 2019) is not subject to much critical discussion in the Irish media. Figure 5 below provides an extract from the interview from the radio news show that gives the reader an idea of the tone.

**Figure 5 An extract from interview with the CEO of Apple Inc. on Irish Radio.**

Tim Cook: And every time I go [Apple’s Irish site], it’s just getting a shot of joy being there…

Interviewer: So when you hear the core finding of this European Commission’s investigation, that your company, Apple, benefitted to the tune of 13bn from an illegal deal or benefitted from an illegal tax benefit, how do you feel as head of that company to hear your company’s business activities described in that way?

Tim Cook: It's maddening. It’s maddening, it’s disappointing. It's clear that this comes from a political place. It has no basis in fact or in law. Ahm, and unfortunately it’s one of those things we’ve to work through...........


There has been critiques of Ireland reliance on FDI for some time (for example, Cooper & Whelan, 1973; Telesis, 1982; Culliton, 1992). Lessons from Ireland’s over-reliance on property transaction taxes and the distributional effects of FDI (Regan & Brazys, 2018) may signal an opportunity for change. Although blocked by Sweden, Ireland, Denmark and Finland (Leahy, 2018), the EU Commission’s (EC, 2018) Digital Services Tax proposal did receive new consideration from the Left in Ireland. Despite being referred to as half-baked by the chair of IFAC (Coffey, 2018) and opposed by the current Irish government it was supported by the Labour Party (Howlin, 2018). This could represent the beginnings of a break in Irish political consensus on the issue (Stewart, 2018; Taft, 2018). While such glimmers of hope may appear faint, looking at how much exposure to different discourse has on opinion on this issue in Ireland (Kneafsey & Regan, 2018), does justify some optimism.

For Ireland, there are a number of dangers in EU and wider cooperation on corporation taxation. One is that wider cooperation will merely scapegoat Ireland, forbidding it from using its taxation avoidance advantages in sourcing FDI. As Woodward (2017) points out, corporation taxation avoidance is an inherent part of the system. It would be an easy symbolic victory for Ireland to be handicapped in such competition by unevenly applied rules, while the system of tax avoidance as a whole remains in place. Fear of such of scapegoating is not unfounded and are fuelled by references to PIGS, Leprechaun economics and the failure of collective action in dealing with immigration and fiscal crises in southern Europe. Yet, most of the mainstream Irish responses to the EU Commission’s digital sales tax proposal, represents another danger
for Ireland: Given Ireland’s resistance to collective proposals, large states will simply proceed with their own taxation mechanisms that will leave Ireland clutching to a disappearing tax avoidance advantage in increasing competition with smaller and poorer states.

5. CONCLUSIONS
What is clear is that in Ireland it has been a good crisis for economists, in the sense that the status and power of the profession has increased, especially in public discourse and state bureaucracy. This is not to deny that the academic critique and public questioning of the status of economics, that has followed the failure of the profession internationally prior to the crisis. It would be interesting to see if the rise of economists status has taken place in other countries and if there is a pattern to the profession’s fortunes in its different fields across, for example core and peripheral countries, with some studies already providing some insights (FitzGerald & O’Rourke, 2018; Maesse, 2017). Of course not all economists are neoliberals, and distinguishing between different types of economists and their influence is important (Plehwe, Neujeffski & Krämer, 2018). Furthermore, as Rieder and Theine (2019) show the media does not treat all economists equally, and we need to better understand how such interactions in the media work to legitimate economic expertise (FitzGerald & O’Rourke, 2016).

Another persistent effect in Ireland on public discourses of the economy from the 2008 crisis is the shake-up of the budgetary process, creating a year-long process and a Europeanization of that process. A key question is whether this longer and more Europeanized process means the public is being removed from discussions of public finance (McBride, 2017) or are the new processes subjecting the budgets to greater democratic scrutiny? With some help from the AltAusterity grant (Social Science and Humanities Research Council of Canada Network Development Grant 890-2015-0025) we have begun looking at the effect of this process on media coverage with some preliminary evidence emerging that the year-long process may be stimulating more media coverage of budgetary issue at least in the case of Irish radio. Of course, more media coverage does not necessarily mean more real public involvement: A discourse analysis may reveal that while there may be more public talk on budgetary matters, a dominance of neoliberal and technical language may ensure the public discourse is more restricted. Such discourse analytical work would complement the work of MacDonald, Hogan and O’Rourke (2018) looking at the longer-term change in budgetary discourse and FitzGerald and O’Rourke (2018) work on economists as experts.

While there is much to indicate that the economic debate in Ireland is firmly encased in a neoliberal and austerity discourse, there are glimmers of hope. Ireland’s long attachment to a low corporate taxation strategy for attracting such FDI is been assailed on a number of fronts including increasing tax competition among states, pressure from powerful states and discursive difficulties with justifying such policies. Perhaps, EU solidarity on the Brexit issue will create enough confidence in overcoming collective action problems that Ireland can pursue its interests by seeking a change to the low corporate tax system in which it sees itself competing.
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