

One and a Half Explanations of Ireland's Collapse: Between Market Liberalism and the Incomplete European Project

Seán Ó Riain

Sociology and NIRSA

NUI Maynooth

www.nuim.ie/newdeals

What was the European Model?

- wage restraint on the part of labour

exchanged for:

- reinvestment of profits by business
- the expansion of the welfare state

all helped along by:

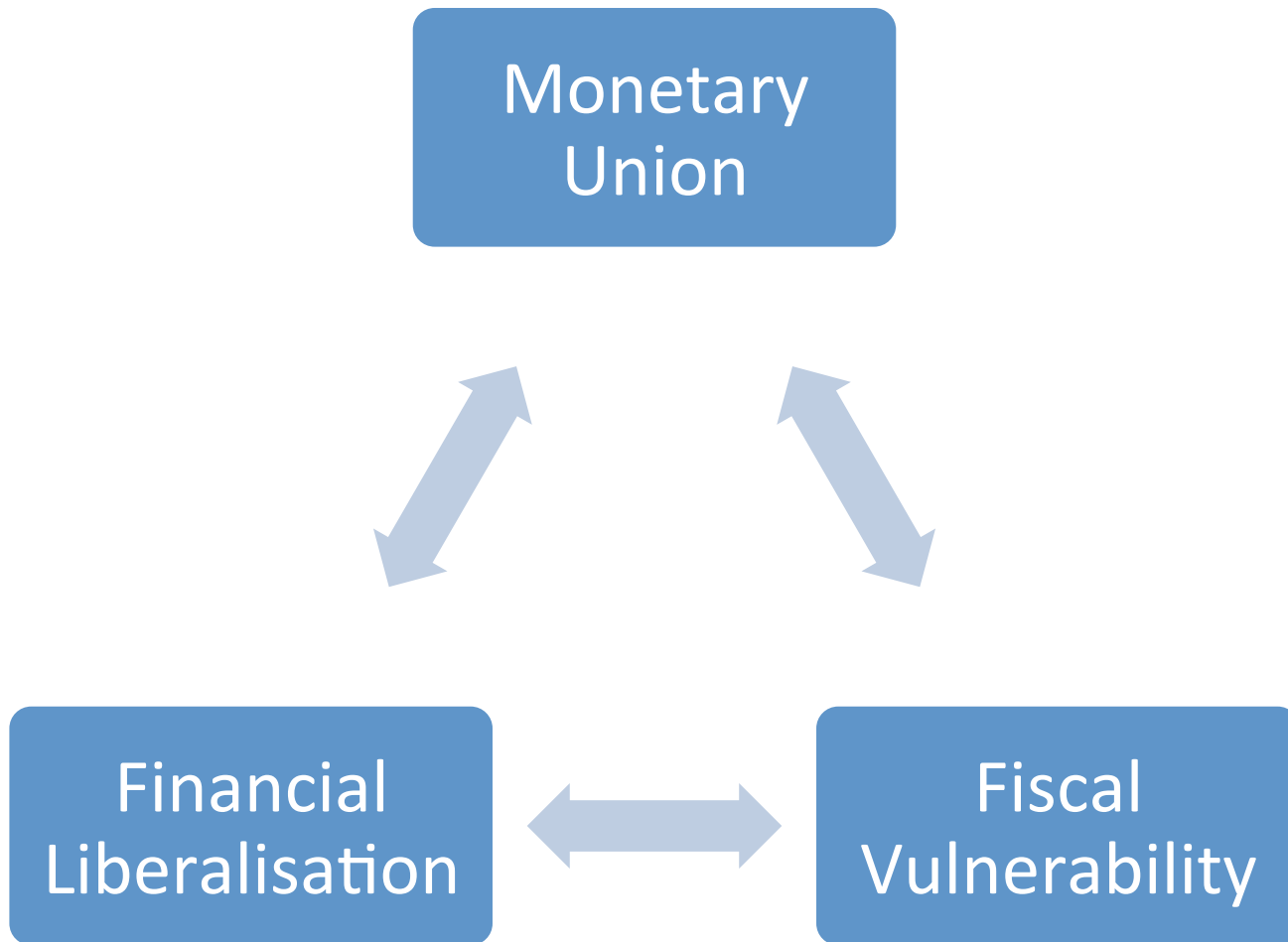
- European integration and Marshall Aid

Macroeconomic Futures Foretold: Comparative Capitalisms 1960-1972

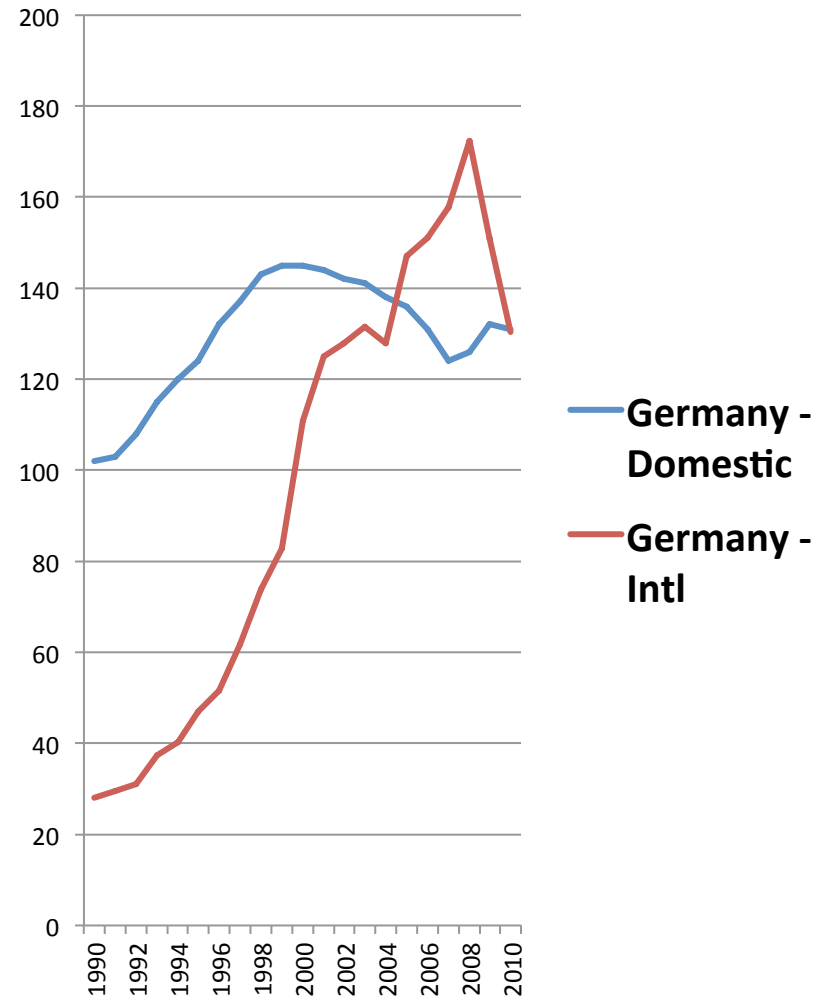
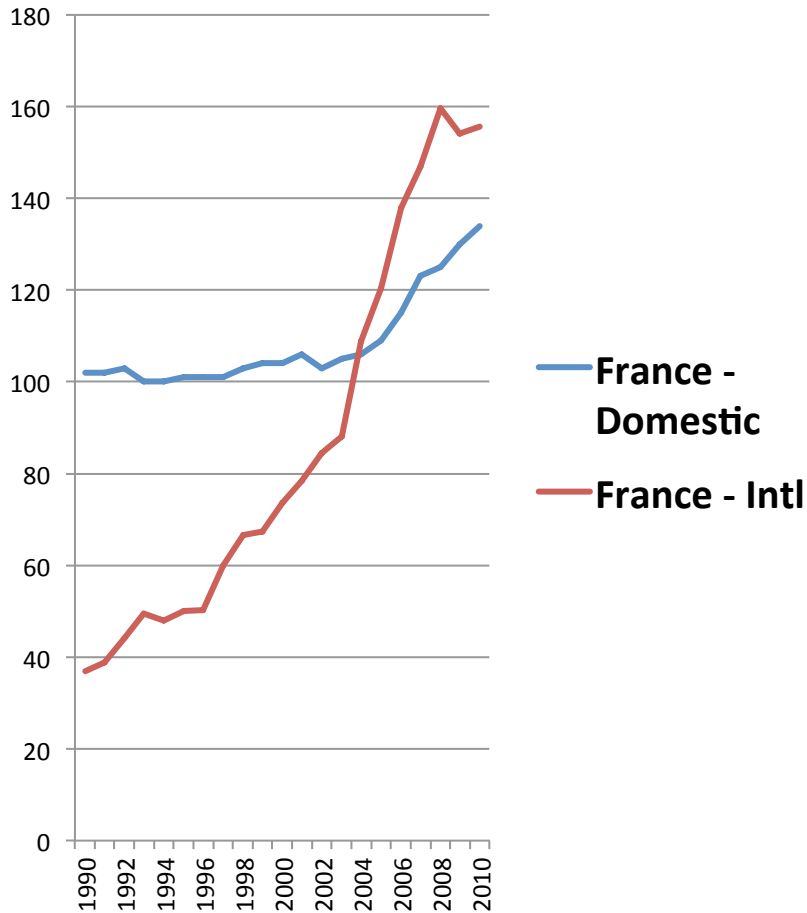
	Average Budget Surplus	Coordination Index	Central Bank Independence	Liberalisation of Capital Controls	Hard Currency Index (73-93)
Social Democratic	+2.6	.72	0.29	2.0	.37
Christian Democratic	-0.3	.59	0.43	3.1	.50
<i>Germany</i>	<i>0.4</i>	<i>0.88</i>	<i>0.66</i>	<i>4.0</i>	<i>.60</i>
Liberal	-2.5	.13	0.42	2.8	.15 (UK only)

Huber and Stephens, 1990, Table 4.3; Iversen, 1999, Table 3.1

The Challenges of European Liberalisation

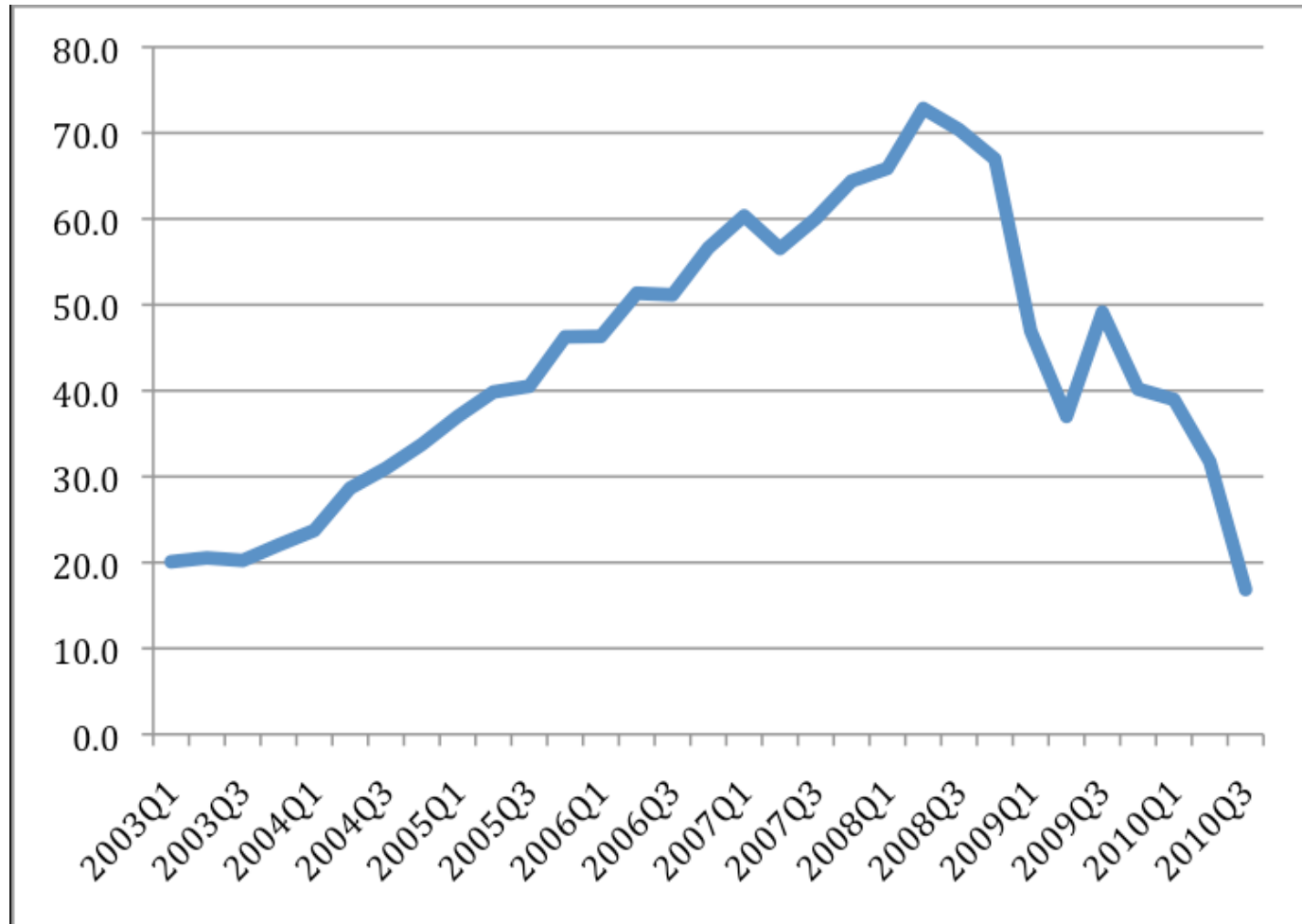


(1) Financialising Europe



DOMESTIC CREDIT AND INTERNAT'L BANK LENDING IN FRANCE AND GERMANY (% OF GDP)

International Lending and the Irish Bubble

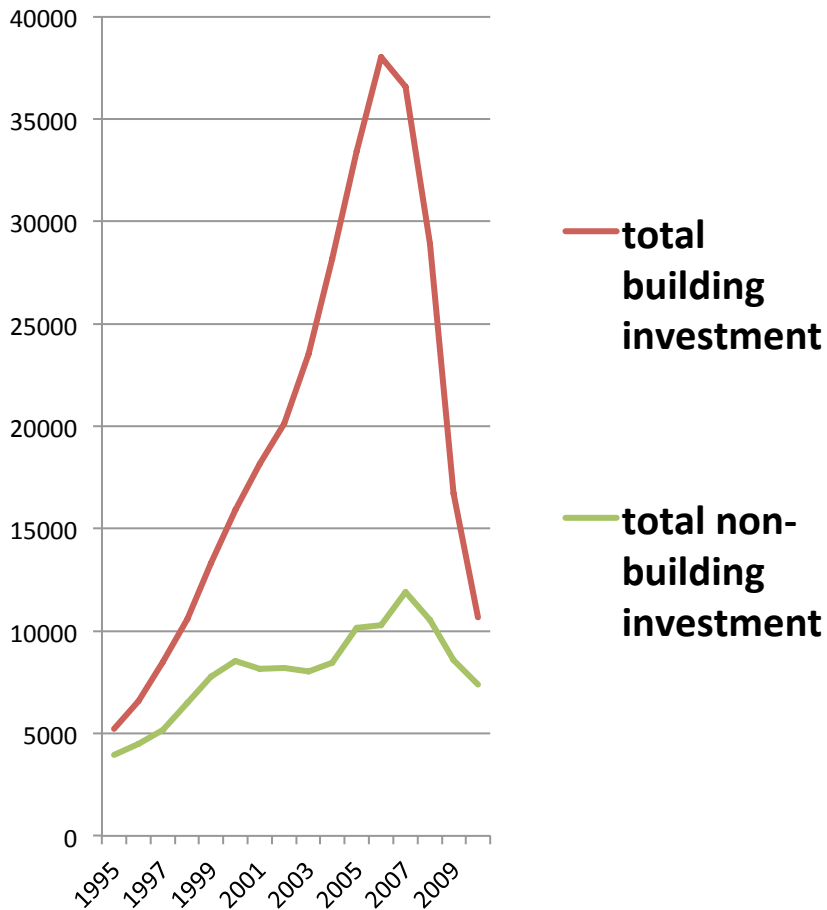


Net foreign liabilities of Irish banks (% of total liabilities) (Lane, 2011)

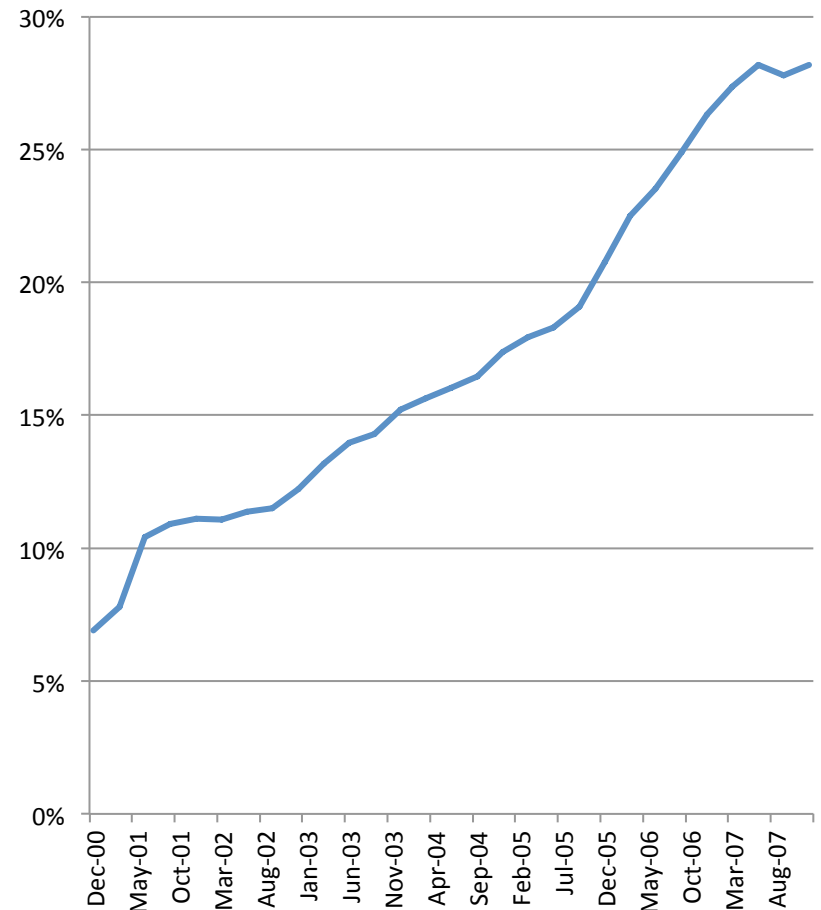
Ireland: Putting Capital in Charge

- Weak Regulation
- Capital Gains Tax 1998 – from 40% to 20%
- Limited State Investment Function (EI, ICC etc)
- A Financialised Export Sector (IFSC, MNCs and Taxation)

Ireland's Property Bubble



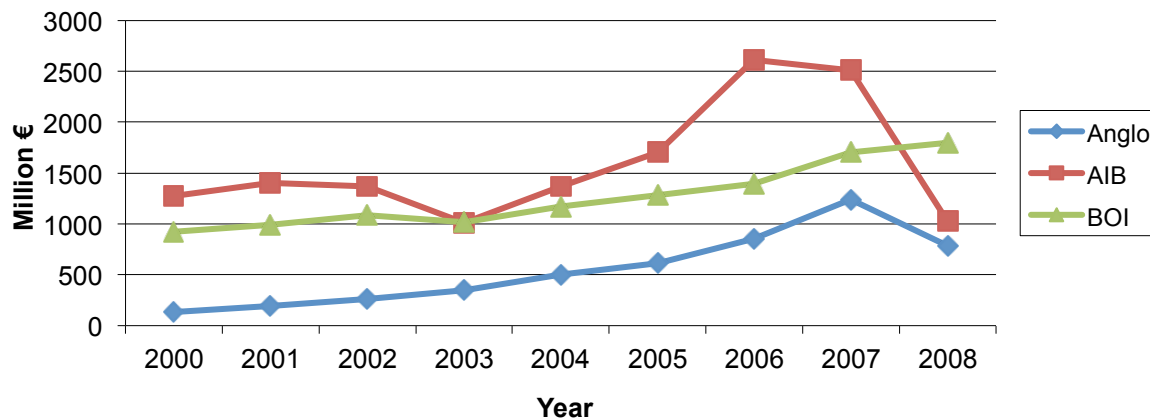
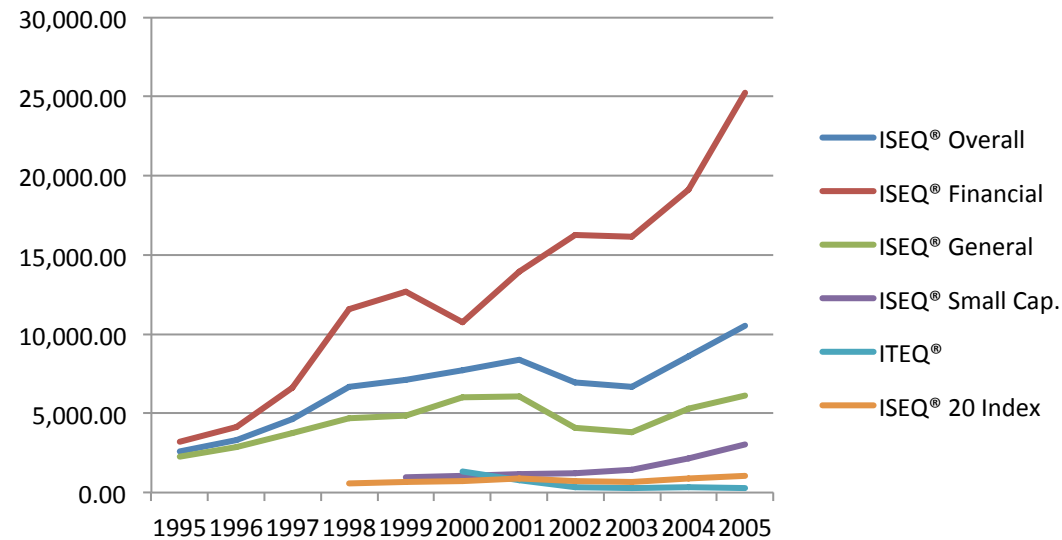
INVESTMENT – BUILDING/NON-BUILDING



PROPORTION OF LENDING TO REAL ESTATE

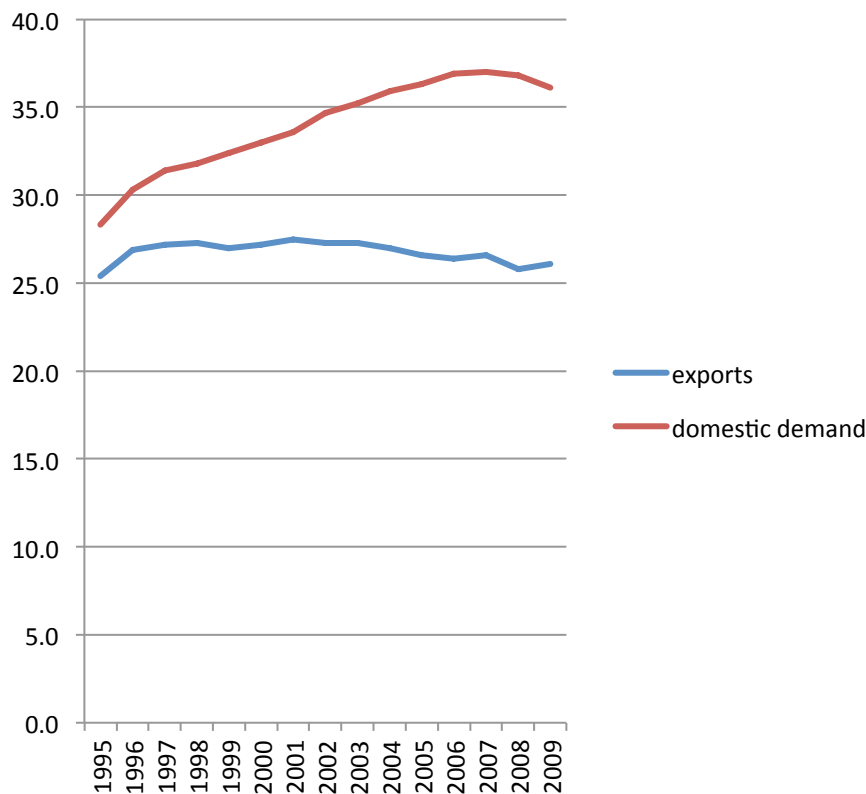
Failing Market Governance

- Weak Regulation
- Centralisation of Managerial Authority
- Stock Market
- Credit Ratings Agencies
- Competition

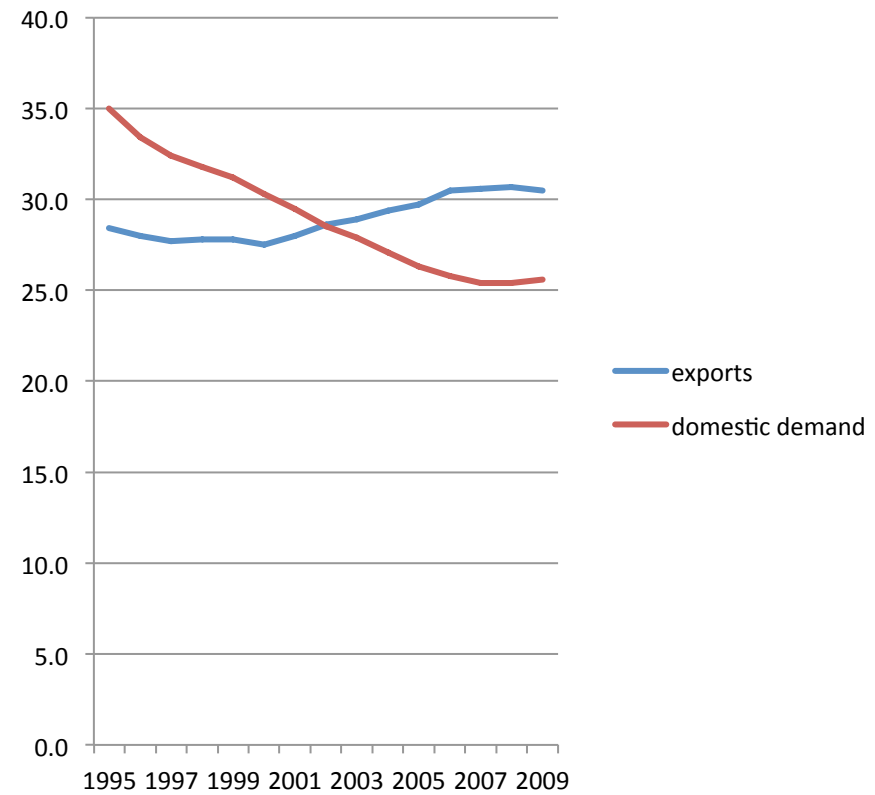


Turning Europe Inside Out, 1995-2009: Keynes in the Periphery, Schumpeter in the Core?

SPIIG Countries



Germany



% OF TOTAL EXPORTS AND TOTAL DEMAND IN EUROZONE

(1 ½) Fiscal Conservatism and the Logic of the European Model

“Workers’ collective rights... attached workers to particular states, and therefore depended on the capacity of those states to enforce workers’ claims on others, notably capitalists”

“To the extent that states dissolve, so does citizenship and thereby democracy”

Charles Tilly, 1995. “Globalization Threatens Labor’s Rights” *International Labor and Working-Class History* pp.6, 22.

In Which Capitalisms is Austerity the 'Old Normal'?

EU15 Government Budget Balances, 1999-2007

	Actual 1999-2007 (% Actual GDP)	Structural 1999-2007 (% Potential GDP)	Structural 1999-2002 (% Potential GDP)	Structural 2003-2007 (% Potential GDP)
Social Democratic	2.5	0.3	0.1	0.5
Christian Democratic	-1.5	-1.7	-1.7	-1.6
Mediterranean	-2.9	-4.0	-3.1	-4.7
Liberal	0.1	-2.5	-0.6	-3.8

European Social Compacts in the 2000s: Fiscal, Production and Welfare Regimes

	Average 'Structural' Fiscal Balance 1999-2007 (% 'potential' GDP)	Average Business R&D Investment 1999-2007 (% GDP)	% 'Learning' Organisation of Work, 2000 (Lorenz & Valeyre)	Social Spending, 2002 (% GDP)
Social Democratic	0.3	2.26	53	36.6
Christian Democratic	-1.7	1.42	47	32.5
Liberal	-2.5	0.97	29	27.5
Mediterranean	-4.0	0.40	24	26.6

Europe's Perverse Policy Mix

	<i>EUROPE 2008-2013</i>	LIBERAL CAPITALISMS	SOCIAL MARKET CAPITALISMS
Macro-Economic Management	<i>FISCAL CONSOLIDATION</i>	KEYNESIAN DEMAND MANAGEMENT	FISCAL CONSOLIDATION
Supporting Real Economy Recovery	<i>'CONFIDENCE' AND PRIVATE INVESTMENT</i>	'CONFIDENCE' AND PRIVATE INVESTMENT	STATE-LED INVESTMENT