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**The Impact of the Crisis on the Irish Political System**

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November 2009

This paper was presented at the Royal Irish Academy Committee for International Affairs 2009 Conference: International Politics and the Global Economic Crisis. 5 November 2009

It is an output of the *Mapping the Irish State* project <http://geary.ucd.ie/mapping>, funded by the Irish Research Council for Humanities and Social Sciences (IRCHSS).

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## ***Abstract***

The international financial crisis manifests itself in Ireland not only as a crisis of the banking system, but also as a major fiscal crisis, aggravated by years of soft revenue policy and a housing bubble that has burst spectacularly. The severe drop in economic output results in a crisis of employment and a definitive end to the ‘Celtic Tiger’ era of rapid growth and near-full employment. Although the political system has proven resilient thus far, with membership of the Euro preventing the catastrophic political crises that affected Latvia and Iceland, for example, the crisis has revealed significant weaknesses in political system. This paper considers institutional shortcomings in three arenas through which policies to deal with the crisis must be managed: the parliamentary system, the public administration, and social partnership structures.

## **Introduction**

The current crisis is multidimensional. It started as a financial crisis. The banks lent heavily to builders and developers who bought land at hugely inflated prices. We have an asset price crisis: no-one knows what these assets are now really worth. We have a fiscal crisis as falling revenues diverge from spending commitments, and we also have to commit vast sums of public money to prevent the financial system from total collapse.<sup>1</sup> And we have a jobs crisis. Seasonally adjusted unemployment in September 2008 was 245,800, and in September 2009 it was 429,400, a rise of some 75% in one year; in October 2009 standardized unemployment stood at 12.5%.<sup>2</sup> So we have a crisis of medium to long term economic planning as we try to restore our collective capacity to earn a living.

All this may well induce a ghastly sense of ‘déjà vu all over again’: the 1980s revisited. But in important ways this is not at all like that: it is worse. This time, although we are starting out with higher average living standards, the sudden drop in output, the financial system failure, and the over-extended budgets, are problems that are global in scale.<sup>3</sup> The EU is experiencing ‘the deepest, longest and most broad-based recession in its history’ and the European Commission says that growth is unlikely to resume before 2011.<sup>4</sup> Ireland is in the Eurozone and this has saved our financial system crisis from bankrupting the entire country, as happened in Iceland; but this also means that we cannot devalue our way back into competitiveness and recovery, as we did in 1986 and again in 1993. We have to find home-grown solutions. And we really must do this quickly and decisively. One of the principal lessons of the 1980s is surely that putting off dealing with macroeconomic problems means years of wasted opportunity (Honohan and Walsh 2002; McCarthy 2009).

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<sup>1</sup> Laura Slattery, ‘Tax revenues 17% lower this year’, while ‘day-to-day Government spending is still up 0.8 per cent on last year’. *Irish Times*, 3 November 2009.

<http://www.irishtimes.com/newspaper/breaking/2009/1103/breaking62.html>

<sup>2</sup> Central Statistics Office, Live Register, September 2009.

[http://www.cso.ie/releasespublications/documents/labour\\_market/current/lreg.pdf](http://www.cso.ie/releasespublications/documents/labour_market/current/lreg.pdf)

<sup>3</sup> IMF World Economic Outlook Update, 8 July 2009.

<http://www.imf.org/external/pubs/ft/weo/2009/update/02/index.htm>

‘A Tale of Two Depressions’, Kevin O’Rourke and Barry Eichengreen.

<http://www.voxeu.org/index.php?q=node/3421>

<sup>4</sup> European Commission Autumn Forecast 2009-11: EU economy on the road to a gradual recovery.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1663>

Small states have to steer a tricky course for themselves, since they tend to be caught in the international slipstream of bigger countries. Among the smaller European states, Ireland's crisis is not the very worst. We have not suffered the calamities that Iceland or Latvia have had to endure. There have not been weeks of riots in the streets as they had in Greece, or not yet at any rate. But the nature and scale of the challenges are much greater than, for example, Denmark or the Netherlands, countries with which we generally prefer to compare ourselves. And the size of the fiscal gap that is opening up is greater than anyone else's, because it coincides with the burst property bubble.

My argument in this paper is that we may not have a full-scale political crisis in Ireland, but we do have a crisis of confidence in the political system which is potentially very serious. The Minister for Finance Brian Lenihan has likened our current situation to a state of war. If we cannot find the resources to deal collectively with the political challenge, the implication is that the IMF will simply take us over. The crisis throws a harsh new light on features of the political system that we had perhaps grown resigned to, or despaired of ever fixing.

The most obvious manifestation of our political problems is the sudden and very dramatic fall in public confidence in the government just at the moment when we need effective policy decisions, as Figures 1-3 show.

Figure 1 – Confidence in the Taoiseach and in the government

Figure 2 – Confidence in the government, Ireland and Britain

Figure 3 – Trust in national government in Europe, September 2009

The big fall in confidence levels in the government came between June and November 2008 – from 46% to 18%, a fall of 28 points – and the Irish Times/ MRBI polls show them staying down around 10% for the last six months (Irish Times/MRBI poll, *Irish Times*, 3 September 2009). Even in Britain, where Gordon Brown's standing has been trailing along at what they regard as miserable levels of public satisfaction, confidence levels in the government were at 29% in early 2008 and, despite some fluctuations, are still in the mid-20s.<sup>5</sup> This drop in

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<sup>5</sup> IPSOS MORI poll data. <http://www.ipsos-mori.com/researchpublications/researcharchive/poll.aspx?oItemId=88&view=wide#2009>

confidence in the political system is more severe than in virtually any other European country. Trust in political institutions is lower in only Hungary, Latvia, Lithuania, and Greece. The overall political system may not be in crisis. But this is not a happy situation.

This level of public cynicism toward government and the political process is all the more corrosive because we know that important decisions have to be taken that will adversely affect disposable incomes, living standards, and the quality of services available to citizens. Without a serious effort to re-engage public opinion and to do something to counter such high levels of disaffection, this will be very much more difficult and time will be lost unnecessarily. We will have failed to learn from our past mistakes about the need to take tough decisions and see them through. Politics is the art of, among other things, sustaining good decision-making capabilities.

How you get out of a crisis depends on where you were when it started. During a boom, it is easy to overlook poor levels of performance. In hard times this is no longer possible. Good decision-making capabilities are precisely what seem to be in short supply in Irish society. I am not concerned here with retracing the mistakes that got us into the present difficulties. I want to try to understand what features of the political system are not working as they should, and what might be done about them.

There are many suggestions circulating about institutional reforms – the electoral system is to blame, we should abolish the Seanad, we need fewer TDs. We need to clean up corruption, reform political donations, limit politicians' expenses. We need to keep a closer eye on the banks. Even that we need a whole new Constitution, a 'second Republic'.<sup>6</sup>

Some of these ideas may have merit. But often, reform proposals risk bypassing what really matters, which is the ideas and priorities that inform political life. If we are not sure what exactly we want to achieve, we might change the structures without touching practices. We need to look at the cultural habits and learned behaviour that really need to be changed, then consider how best to achieve that change.

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<sup>6</sup> Michael O'Sullivan, We need a political system that encourages strategic thinking. *Irish Times*, 14 April 2009.

I want to consider three aspects of our current political institutions, to see where the shortcomings are, and what we think needs to be changed:

- Political accountability and the policy capabilities of national politicians
- The efficiency and effectiveness of the administrative system
- The institutional context of managing cost-based adjustment

### ***1. Political accountability and policy capabilities***

The collapse in public confidence in the political system was triggered by the economic crisis. But it exposed a deeper malaise. We have seen a stream of revelations about the poor accountability for public resources on the part of people who are prominent in public life. We saw this in Britain too of course, and often Irish public debate experiences this overspill effect. The expenses regime available to politicians is not really news, but this time John O'Donoghue had to pay the price. He had to go partly because of the scandals at FÁS and Rody Molloy's retirement package. But what lies behind all these specific instances is a popular perception of a political class that is a long way removed from the concerns of ordinary people.

These issues flare up from time to time. What seems to be different now is that the dissatisfaction is more deep-seated, because it is taking place against the backdrop of a real crisis in public finances. If 'they' don't show the lead in cutting back in their lavish expenses, the reasoning goes, then why should we bear all the adjustment. I will come back to this equity issue later.

The reason why the issue won't go away this time is because there is a more general problem of political accountability. We see this in two respects. Firstly, when political mistakes are made, no-one ever seems to be willing to accept responsibility. Whether the issue is overspending on healthcare computer systems, or e-voting machines, or blood contamination, or illegal charges on nursing home residents – the doctrine of ministerial responsibility, whereby the buck stops somewhere, has largely been put aside. There is a real problem about this of course. Modern departments are huge and complex, and individual government ministers feel quite aggrieved when they are told they should accept the formal responsibility

when things go wrong. The Public Service Management Act 1997, in line with public service reform priorities, gave Secretaries General of departments more responsibility and therefore greater accountability for what goes on in their departments. But it is still not clear that we have got this right (Connaughton 2006). The Travers Report on nursing home charges, for example, found ‘persistent and systemic corporate failure within the Department of Health and Children’ (Travers 2005, para 6.2)<sup>7</sup>. The relevant Minister for Health did not believe he had to take the blame. ‘The system is to blame’.<sup>8</sup> The fuss will die down eventually. But there is a real cost, in the erosion of longterm political capital. This makes people all the more disillusioned when the state takes a hard line against people who are trying to vindicate their individual rights against a ‘system’ that does not seem to care about them, whether it is Brigid Cole’s health, or Jamie Sinnott’s education, or Louise O’Keeffe’s case about her experiences as a child at school.

Secondly, the fact that Ireland has to resort to Tribunals and investigations after the event seems to me to reflect a deeper problem. Tribunals are very expensive (Office of the Comptroller and Auditor General 2009, pp. 21-43). But more importantly, they are a sign that the legislature itself cannot get to grips with things that have gone wrong (MacCarthaigh 2005). The standard definition of a legislature is that it represents the people, scrutinizes legislation, and holds the executive accountable. The main problem people identify with our national politicians is that the balance is weighted almost entirely toward the first – being constituency politicians – and too lightly toward the policy and scrutiny roles.

One of the main means whereby questionable conduct by the government can be brought to light is through Parliamentary Questions. But if the government does not want to divulge the information, there are ways around it. Governments headed by both Fianna Fáil and Fine Gael have been quite candid about withholding information on the grounds that the opposition did not ask the right question. Freedom of Information legislation in 1997 was meant to make government more transparent, and accountability easier to enforce. But within

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<sup>7</sup> <http://www.oireachtas.ie/documents/committees29thdail/committeereports2005/document3.pdf> ,  
<http://debates.oireachtas.ie/CommitteeMenu.aspx?Dail=29&Cid=HE>

<sup>8</sup> In the wake of the Leas Cross report on deaths of residents sent by the HSE to a nursing home, the HSE's National Director of Primary, Continuing and Community Care Aidan Browne told the press briefing that the report did not attribute blame to any individual but did identify a significant number of ‘systems failures’. ‘Leas Cross: who is accountable?’ *Irish Health.com*, 10 November 2006.  
<http://www.irishhealth.com/article.html?id=10552>

a few years, the Fianna Fáil-PD government introduced more significant changes that made it expensive to use effectively.<sup>9</sup> And there is some evidence that records are kept in a form that has been termed ‘opaque transparency’<sup>10</sup>, or that official deliberations are not committed to formal records at all.

What should be done about this? There have been many suggestions. One view is that our electoral system, by focusing politicians’ attention on local service, makes it impossible to run national politics well, so the electoral system is to blame and has to be changed. This has been extensively debated, both by the Constitution Review Group, by the All-Party Oireachtas Committee on the Constitution, and again currently in the Oireachtas, in light of the government’s commitment to review the number of Dáil seats. Some of the charges levied against the electoral system are misplaced. It does quite a good job on the proportionality and representative fronts, and it does not manifestly weaken parties as such. The main criticisms are that it creates too heavy a local workload for constituency politicians, and that it weakens their ability to engage in policy scrutiny and executive oversight.

On constituency involvement, we might suggest that it is actually quite a good thing that national politicians should feel the need to keep in touch with their electoral base. If the voters then use them as a conduit for getting all sorts of jobs done, this may not be anything to do with the electoral system itself, and more to do with voter expectations, with the weaknesses of local government, with the bureaucratic difficulties of getting welfare entitlements or making government responsive to local concerns. These are the areas that surely need attention first and foremost, before we consider changing the entire electoral system (Gallagher and Komito 2010; Sinnott 2010).

The main concern expressed about the electoral system is that it does not supply us with people who are skilled in specific policy areas. But there is already provision for Irish governments to make up to two cabinet appointments from the Seanad, if it so wishes, and given the Taoiseach’s appointments powers, this in effects gives a lot of scope, if governments wished to avail of it, especially given the scope of the Taoiseach’s powers to

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<sup>9</sup> Freedom of Information Act 1997 (Fees) Regulation 2003. SI No. 264, 2003.  
<http://www.irishstatutebook.ie/2003/en/si/0264.html>

<sup>10</sup> Michael Casey, ‘Fear and cultural quirks to blame for Ireland’s lack of enterprise’, *Irish Times*, 23 May 2006.



nominate people to the Seanad.<sup>11</sup> The manner of appointing government Ministers is quite varied across democratic countries, as Figure 4 shows; other possibilities might perhaps usefully be discussed. If the Dáil looked like a place in which policy could be debated and influenced, this would increase the likelihood that people with specialized talents would be willing to stand for election.

#### Figure 4 – Modes of appointment to parliamentary executives

The role of the Seanad has also come into focus, not only on cost-saving grounds: some seem to take the view that abolishing the Seanad will at least reduce the quantity of hot air being produced in Kildare Street. It is worth looking beyond such ready assumptions to consider what might really be at stake.

Typically second or upper chambers have a different basis of representation from the lower house, and this is generally territorial in some way. That is, it is usually a consequence of a federal or geographically differentiated constitutional structure. In unitary systems, there is a real problem about what a second chamber is for and what its basis of representation should be, one that Britain is still grappling with now. Ireland is unique among small countries that are not federal in having two chambers, as Figure 5 shows.

#### Figure 5 – Unicameralism and bicameralism

Although the Seanad has a different base of representation than the Dáil, it does not function primarily as a vocationally diverse sector of independent opinion, and has tended to feature similar patterns of party discipline as the lower house. Some politicians' careers feature a spell in the Seanad as well as service in the Dáil, so party loyalty can be an asset. What people seem to value most about the Seanad is its role as a backstop to prevent government railroading legislation through too quickly. The only Senators most people can name are the independent-minded government critics from the university sector, especially TCD. We could

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<sup>11</sup> Bunreacht na hÉireann states:

‘7. 1° The Taoiseach, the Tánaiste and the member of the Government who is in charge of the Department of Finance must be members of Dáil Éireann.

2° The other members of the Government must be members of Dáil Éireann or Seanad Éireann, but not more than two may be members of Seanad Éireann.’

easily imagine ways in which, if the Seanad were to be maintained, reforming the basis of representation might strengthen these capacities.

But these reflections focus our attention back on deficiencies of the Dáil itself, because these various institutional remedies all imply that the Dáil is not functioning well. Maybe reducing its size will help improve things, but unless we decide what we think is wrong, fiddling about with numbers will not materially affect performance. A great deal of political life revolves round an almost ritual confrontation between government and opposition, in which we know the government will prevail. Indeed, everyone in the Oireachtas knows it too, which is why attendance at virtually all debates is confined to a few lone individuals, apart from the cushioning support of a couple of colleagues required to bulk out the appearance of attendance for the sake of the TV coverage.<sup>12</sup>

Prime ministers' powers are based on two things: their control over the majority party, and the formal powers given to them by the institutional rules and practices of the legislature. Ireland is at an extreme end of a spectrum, along with Britain, with very high scores on both these dimensions (Strøm, Müller and Bergman 2006, Fig. 4.4). Indeed, in some respects Ireland has an even stronger governing party stranglehold over Dáil procedures. In Britain, MPs collectively preserve some aspects of parliamentary independence quite jealously, notably the right to nominate and elect the Speaker – undertaken by secret ballot for the first time in June 2009. In Ireland, there is widespread tolerance of the notion that this is just another job that is in the gift of the Taoiseach.

Changes in the rules of parliamentary behaviour would require governing parties, whoever was in power, to weaken their own near-stranglehold over debate and scrutiny, and to permit both the opposition and their own non-ministerial parliamentarians a more active role in policy deliberation and indeed in getting amendments adopted. Although this has repeatedly been proposed, no government really wants to follow through on it once they gain power. But it could be done if we thought it was important enough.

Parliamentary committees are the biggest single area in which procedural reform could greatly enhance the policy capabilities of the Irish political system. An innovation of the

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<sup>12</sup> A film clip comparison of activity at Leader's Questions in the Dáil and at Westminster is here: <http://www.irishelection.com/2009/10/dail-is-packed-for-leaders-questions>

1980s, put on a slightly stronger footing during the 1990s, these have been disappointingly weak in Ireland, in contrast with Britain where parliamentary committees have carved out a real niche in independent inquiry (Longley and Davidson 1998; MacCarthaigh 2005; Rhodes, Wanna and Weller 2009). Chairs of committees in Ireland tend to be distributed by government as political rewards, though some do go to opposition deputies. Committee work itself has a relatively low status.

Committees can compel witnesses to attend and can commit time to intensive forensic inquiry, if they wish. But they tend not to have the real expertise to put administrators under pressure. In Britain, for example, a senior academic is routinely seconded to support the work of the Joint Committee on Human Rights on a full-time basis. Irish committees have no such specialist expertise routinely available to them, although they can commission external expert inputs. But their reports and recommendations do not carry the weight with government that they may deserve. Ultimately, when the chairs are in the gift of the government, party discipline tends to prevail over policy scrutiny.

Not quite all committees meet these descriptions: the big exception is the Public Accounts Committee. This is the one people really fear having to answer to. They did impressive work in pursuing the banks on offshore tax scams, for example. They consider the reports of the Comptroller and Auditor General on the use of public money. And not coincidentally, this is the only committee that is constitutionally mandated to be chaired by a member of the opposition. But even this committee is hindered by lack of resources and lack of specialist knowledge.

The seriousness of not having effective working committees should have become very clear, if it was not before, in light of what we now know about the weaknesses in the banking sector. The Financial Regulator, we now know, was more attentive to consumer interests than to the need to press the banks for information.<sup>13</sup> The banks were subject to a very lax regime which enabled them to extend their risk liability and reduce their capitalization base to a degree that we now know was quite reckless. The Economist Intelligence Unit report on the

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<sup>13</sup> Simon Carswell, 'Report critical of Financial Regulator', *Irish Times*, 16 October 2009. <http://www.irishtimes.com/newspaper/finance/2009/1014/1224256613610.html>

Government's recent *Review of Regulation* noted that Dáil committees do not have the expertise to question regulators effectively (Economist Intelligence Unit 2009, p.54). The OECD Review of the Irish Public Service also stressed the importance of parliamentary committees to engage in administrative scrutiny (OECD 2008).

But Irish parliamentary practices, especially the role of committees, are at the extreme end of a spectrum of behaviour in comparative European terms. Whatever indicator we look at, Ireland is more like Britain than any other European parliament, only more so, as Figure 6 shows.

Figure 6 – Government dominance of parliamentary procedures

The real problem in the way the Irish committee system works, then, is tied up with the role of government parties in deciding the allocation of chairs, and the practice of party discipline within committees. Parties are nowhere mentioned in the Irish Constitution. But they are central to the culture and practice of politics in the Oireachtas.

This is where reform efforts need to be concentrated.

These reforms are entirely within our own powers to bring about. Before we embark on institutional change, we need to know what we are trying to achieve. But most of all, we need to be convinced that we really do want to raise our collective political game.

## **2. Administrative reforms: efficiency and effectiveness**

There are many ways in which parliamentary practices could ensure greater political accountability and a better quality of debate over policy, if we really wanted to do this. The same could be said about the public service more generally. The Taoiseach recently suggested that some of the massive savings that have to be made in government spending might be found through greater efficiency and rationalization. There is something a bit dispiriting about this talk of public sector reform. It was meant to have kicked in with the Devlin report in 1970, then again with the Strategic Management Initiative in the mid-1990s (renamed the Public Service Modernization Agenda), and now we have the 2008 OECD Report. We still haven't really got to grips with these issues of public sector productivity and efficiency after all this time.

Colm McCarthy's board, An Bord Snip Nua, has looked at state agencies, among other things, with a view to finding savings, and has made 43 rationalization recommendations (Report of the Special Group on Public Service Numbers and Expenditure Programmes 2009, p.25). There has been a rapid increase in the total number of state agencies in Ireland over the last few decades, and this certainly invites comment. Using a time-series database of national-level state institutions in Ireland developed by the 'Mapping the Irish State' project, which is funded by the Irish Research Council for the Humanities and Social Sciences (IRCHSS), we can see a sharp upward trend over the last couple of decades, as Figure 7 shows.<sup>14</sup>

Figure 7 – Number of agencies by decade

The reasons for setting up new bodies are varied. In many other countries, state agencies flow from the philosophy of 'New Public Management'. This involves trying to make public administration function more like the private sector, disciplined by budgets and performance targets. The workload and staffing of departments is reduced correspondingly (Pollitt and Bouckaert 2004). What is surprising in Ireland is that agencies tend to get set up in addition to the normal business of departments. The OECD report concluded that one of the principal reasons why government ministers created such a large number of new agencies in Ireland was to make it possible to employ more staff without appearing to breach limits on core departmental civil service numbers (OECD 2008, pp.295-8).

An analysis of the functions carried out by agencies, in Figure 8, is instructive.

Figure 8 – Breakdown of agencies by function, 1958-2008

Service delivery shows the largest growth, but this has happened in addition to, not instead of, expansion of staff in core service providing departments. The growth of the regulatory state accounts for many of the new agencies. Advisory and consultative bodies have also grown rapidly. It seems that the real problem is one of ideas and expectations. In Ireland, it seems, when we identify a problem, we set up an agency to deal with it. Interest groups all lobby to get an agency to support their policy area.

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<sup>14</sup> Mapping the Irish State, <http://geary.ucd.ie/mapping>

The OECD report commented that the result is a confusion of lines of accountability, with poor coordination and duplication of function. This is further compounded by the unclear and mixed criteria for appointing board members. The boards of state bodies tend to be political appointees: rather than having the benefit of independent outsider expertise, their boards are often the product of cronyism and patronage (Clancy and Murphy 2006).

There may well be scope for closing some agencies down and amalgamating others. But more than this, there is enormous scope for what the OECD refers to as joined-up government, for working a lot more cleverly with the resources currently available.

There needs to be a much clearer analytical distinction between those areas of administration that need delegated governance, and the rest. Some kinds of work may well be done better at some remove from central government – there is a case for independent regulatory agencies, for example, or Ombudsman offices, that are not part of the core administration (Gilardi 2008; Thatcher and Stone Sweet 2004). Industrial policy may have worked better by not being part of the core civil service too, for example; the IDA has a lot of operational flexibility to target potential investors and help establish good linkages for them in Ireland (Ó Riain 2004). But all agencies need to earn their keep, to justify their presence, and to be subject to critical scrutiny about whether this really is the best and most efficient way to do a job.

In this situation, ensuring value for money is extremely difficult. The constitutional office that is charged with doing this is the Comptroller and Auditor-General's (C&AG) Office, which reports to the Dáil Public Accounts Committee (PAC). But a recent internal audit of the role of the office itself found many problems. It has problems doing value-for-money reports in a timely way; there is often quite some time lag because of its ex post role. It is part of the civil service so resources are tight. It is hard for it to track the money committed to many activities, including through agencies, and service delivery through NGOs and the voluntary sector. The Comptroller's appearances before the PAC are less sustained and detailed than their counterpart activities in Britain. The follow-through to correct areas where the C&AG has identified weaknesses is not well monitored. The report of the Department of the Taoiseach's Task Force on the Public Service<sup>15</sup>, set up to consider the OECD report on

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<sup>15</sup> [http://www.onegov.ie/eng/Publications/Transforming\\_Public\\_Services.html](http://www.onegov.ie/eng/Publications/Transforming_Public_Services.html)

the public service, states that ‘all bodies should be required to do input-output reports’. This is surely a basic minimum requirement to tighten up on value-for-money accountability. It would certainly help if parliamentary committees, as noted above, were able to put regulators themselves under more intense scrutiny.

One of the areas in which departments have been spending increasing amounts of money in recent years is on consultancy reports. A 2007 report by the Comptroller and Auditor General found that the use of consultancies in the Civil Service increased from 983 costing €79.6 million during the three year period 1994-1996, to 1,159 costing €124 million during the two-year period 2004-5 (Office of the Comptroller and Auditor-General 2007, p.185). This is a matter of concern not only because of the money involved, but because the specialized role of the civil service itself – formulation of policy options, provision of specialist advice to government – no longer seems to be carried out to a standard or in a manner that governments are content with.

The capacity of the Irish state to drive a hard bargain would not really fill one with confidence. Huge cost over-runs on infrastructural schemes are perhaps less common now, but they took a long time to get under control. The Irish professional classes have enjoyed highly beneficial deals for service delivery. Whether we consider either the old or the new hospital consultants’ contracts, or GPs’ care for old people or those with medical cards, or lawyers’ fees for their attendance at Tribunals whether or not they have to do any work at them, professional remuneration is out of line with comparable European rates of pay. The trend continues: it seems that NAMA is now set to be the single largest employer for many categories of professional services and consultancies for the next several years: the draft business plan has set aside €2.64 billion to pay fees and expenses.<sup>16</sup>

The model of the Irish civil service is drawn from Whitehall: generalist recruitment, non-specialist careers, learning on the job (J-E Lane 2009). The volume of work and the complexity of policy options have grown considerably. New promotional paths across departments, intended to widen the talent pool, have unintended consequences in that specialist policy understanding built up in one departmental area does not translate to another area, and skills are dissipated. Getting high-quality policy inputs is problematic in this

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<sup>16</sup> John McManus, ‘NAMA must not become a bonanza for advisers’, Irish Times, Monday 26 October 2009.

context. Specialist expertise might not be easy to attract and retain without a clear role alongside the generalists, and without a clear career path in view. It is hard to develop specialized skills within the generalist system, and hard to give them real outlet. But there are things that could be done differently and perhaps better. For example, the British civil service has created cross-Whitehall professional cadres such as the Government Economic Service ('the UK's largest recruiter of economists')<sup>17</sup>, and the Government Legal Service<sup>18</sup>, each with its own head. They are responsible both to the units in which they are located and to the wider values and disciplines of their professions.

Rather than accepting the rise of political advisers and recourse to consultancies, the opportunities for the civil service to become exposed to wide ranges of opinion must be increased. Some commentators look back to a freer interchange between senior civil servants and academics during the 1950s, a principal forum for which was the Social and Statistical Inquiry Society of Ireland (SSISI). One could envisage many other ways of opening policy debate to high-powered discussion, that would bridge the divide between the specialist arenas such as universities or the ESRI on the one hand, and the practitioners on the other. Daytime seminars in Departments, where wide ranges of opinions can be aired on key policy issues, would open up the exchange of ideas and inform the climate of debate. Drawing more extensively on talented people through short-term specialist employment contracts could be envisaged. Driving organizational change in the public sector is a problem everywhere; there are lessons to be drawn from change management in other jurisdictions.<sup>19</sup>

The capacity to tell ministers things they do not want to hear needs to be protected. Politicians do not always heed official advice, and there should of course be scope for doing this, as long as the minister is then subject to appropriate political accountability, especially if things go wrong. But insofar as senior civil servants may have a concern about their own career prospects, or about whistle-blowing at any level, this hinders 'speaking truth to power'. It should not be necessary to invoke Freedom of Information to find out most things. We need to move to a position whereby we should expect that issues are normally aired

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<sup>17</sup> <http://www.civilservice.gov.uk/networks/professional/ges/index.aspx>

<sup>18</sup> <http://www.gls.gov.uk>

<sup>19</sup> 'A tough search for talent', *Economist*, 29 October 2009.



openly, and that vigorous policy debate is encouraged, unless there is very good reason to do otherwise. A presumption of openness should prevail, not a presumption of secrecy unless disclosure turns out to be absolutely unavoidable.

Quite what the extent of administrative accountability should be and needs to be is still quite confused though: this is the other side of political accountability. There have been many reforms that have improved the way this works. Under the Public Service Management Act 1997 and related statutory changes, Secretaries General of Departments have acquired new responsibilities. We have had Freedom of Information legislation, and an expansion in the range of Ombudsman oversight. But whether Secretaries General really can be held to account for everything that goes on within their departments, and how this relates to overall ministerial accountability for policy decisions, is still quite unclear. In any case, it is not clear that top administrators really believe they should be held personally responsible in this way. In Ireland, when things go wrong on your watch, you might have to move job, but you are also quite likely to get a better pension and to keep your car.<sup>20</sup> The result tends to be that real responsibility slips through the cracks.

Bringing about change is principally the responsibility of government. Comparative evidence shows that even when the civil service comes up with good ideas about administrative reform, it cannot drive change itself without an effective political sponsor (Hardiman and MacCarthaigh 2010). Governments have not really taken this seriously. Some of the formal aspects of making senior administrators more like private sector managers have been put in place, such as uprating their pay scales, and introducing performance verification groups and performance-related pay bonuses. But while this had immediate effect on pay rates, there was no similar move to open out recruitment. And with no clear measures or targets attached to them, there is no real conditionality involved (Hardiman and MacCarthaigh 2008). If we cannot even get this right, it seems improbable that making employment contracts themselves short and conditional could be effectively driven through, as some have suggested, or indeed that this really would concentrate minds toward greater efficiency, unless tougher standards are rigorously enforced.<sup>21</sup> There has also been an expansion in the number of posts attracting

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<sup>20</sup> Colm Keena and Harry Magee, 'FÁS director got €1m golden handshake for resignation', *Irish Times*, 25 September 2009.

<sup>21</sup> Brendan Tuohy, 'New ideas for the 21<sup>st</sup> century', *The Sunday Times*, 1 November 2009.

these higher rates of remuneration. Overall, this amounts to a kind of career grade inflation, as Figure 9 shows.

Figure 9. Numbers in senior civil service grades

The quality of fiscal policy making is an area that is much under discussion at the moment, and there have been suggestions that this is an area that needs institutional reform. The years since 2000 were precisely the time during which a premium attached to getting a sustainable policy combination, because adoption of the Euro constrained available policy choices so tightly. At a time when Finland was accumulating budget surpluses of 5%, there was serious advice in the public domain that Ireland should have been doing likewise (FitzGerald 2009, p.7). Yet Charlie McCreevy summarized his economic philosophy, coming up to the 2002 general election, with the phrase: ‘if I have it, I spend it’. Inflationary pressures were pushed into the domestic economy precisely at the time when we had given up control over domestic interest rates. Competitiveness losses can no longer be managed through devaluation of the currency. This throws the burden of adjustment onto the domestic management of relative costs. And if these cannot be managed successfully, the country pays the price in the form of lost competitiveness followed by unemployment and disinvestment.

Playing politics with the macroeconomy is not just a problem in Ireland. *The Economist*, for example, impressed with the inflation-containing effects of independent Central Banks, has argued for formal binding constraints on fiscal targets.<sup>22</sup> This might be too extreme for many people: it would amount to taking the politics out of economic management altogether. The Stability and Growth Pact limit of a 3% budget deficit sets a fiscal corset for Eurozone members. In the current crisis countries like Ireland have had to seek discretionary European Central Bank permission to exceed this temporarily, subject to an acceptable plan about the timescale for restoring fiscal health. But the European Central Bank does not impose detailed decisions about the volume of taxation and spending within member countries, even under crisis conditions. National choices are subject to national political decision-making, and many different combinations may be technically feasible.

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<sup>22</sup> ‘Bind games: making fiscal policy credible. Can governments bolster confidence that they will act to prevent a debt spiral?’ *The Economist*, 10 September 2009.

[http://www.economist.com/businessfinance/displaystory.cfm?story\\_id=14419200](http://www.economist.com/businessfinance/displaystory.cfm?story_id=14419200)

Nevertheless, a number of OECD countries have rules of some sort to keep fiscal planning within specific parameters (OECD 2009). Ireland engages in some of these practices such as preparing medium-term fiscal estimates and devising multi-annual budget projections. But among OECD countries, Ireland stands out as having the least constrained political processes for fiscal decision-making, and the most autonomous Ministers for Finance (Hallerberg, Strauch and von Hagen 2009). This helps explain why Ireland tends repeatedly to have pro-cyclical fiscal policy (Lane 1998; P Lane 2009).

We do have mechanisms for identifying trends in fiscal performance and ultimately correcting them. From time to time a large-scale report, such as the recent Commission on Taxation report, will profile the system and recommend reform. But this can only be done retrospectively, and reform takes many years to implement. It seems that Charlie McCreevy was distinctive only in saying openly what Finance ministers have done routinely. So there may be scope for some reconfiguration of policy advice within the Irish political and administrative system that would improve the quality of information and advice going into decisions on tax, spending, and deficits.

### ***3. Adjusting public finances – pain and legitimisation***

The issue of trust in the political system is crucially important if any government is to secure enough support to see through the difficult process of fiscal adjustment that is required. It is quite likely that most people do not yet realize the scale of the fiscal difficulties facing us. There is a massive and growing gap between revenues and spending commitments. There were warnings since the early 2000s that the competitiveness of the Irish economy was being eroded.<sup>23</sup> Irish labour costs increased more rapidly than any other European country. The cost of energy, utilities, and many public services further contributed to the deterioration in competitiveness. The Governor of the Central Bank Patrick Honohan recently suggested that Ireland had a balance between tax and spending, pay and consumption, exports and GDP

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<sup>23</sup> The former Chairman and Chief Executive of Intel Craig Barrett told the Government's Global Economic Forum in Farmleigh in September 2009 that of the original fourteen reasons Intel came to Ireland, only one remained, the tax system. Suzanne Lynch, 'Mood mostly optimistic despite Barrett's robust comments', *Irish Times*, 21 September 2009; Ciarán Hancock, 'Will Farmleigh make a difference?', *Irish Times*, 26 September 2009.

growth, that represented a sustainable growth model, around about the year 2000.<sup>24</sup> We will have to go backward to go forward, ‘reculer pour mieux sauter’.

This implies a massive process of relative cost adjustment. Managing the public finances and recovering competitiveness constitute an enormous political as well as economic challenge. If currency devaluation is not possible, a form of internal devaluation seems to be the only feasible alternative. FitzGerald et al suggest that nominal wage levels need to fall by 7% over three years (FitzGerald 2009, p.17). An Bord Snip Nua’s lists of cost-saving areas still have to be filtered through a decision-making process (Report of the Special Group on Public Service Numbers and Expenditure Programmes 2009). But the government has adopted the target of cutting €1.3 billion from public sector pay as part of a total package of spending cuts of €4 billion in the forthcoming budget.

Decisive political action is needed. The economic case for urgent action, I think, has been made successfully, but the political case has yet to be made in a way that commands widespread support or even acquiescence. Where governments are weakly legitimated, it is difficult for them to commit to credible strategies of fiscal adjustment. The distributive consequences are politically contested. We still have to work out how the necessary adjustment strategy is going to be framed – not who will win and who will lose, but how the burden of suffering is going to be shared out – and what kind of institutional means are going to be involved in making this happen.

There is evidence that trust in government is greater when there is a general belief that ‘we’re all in it together’, and that no group is being disproportionately advantaged or disadvantaged by discretionary state actions or selective receipt of state benefits (Kumlin and Rothstein 2005; Rothstein 2009; Rothstein and Teorell 2008). High trust in public services also increases compliance rates in revenue payment and reduces the incidence of welfare fraud, reducing the cost of monitoring (Levi 1998).

The choices Ireland faces are not easy. On the public finances, they come down to some combination of shrinking the volume of services, cutting the rates of pay, and reducing

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<sup>24</sup> [http://www.centralbank.ie/frame\\_main.asp?pg=nws\\_curr.asp&nv=nws\\_nav.asp](http://www.centralbank.ie/frame_main.asp?pg=nws_curr.asp&nv=nws_nav.asp)

numbers in employment. Getting public acquiescence to this will require convincing people that things are being done equitably.

If the adjustments are to happen in a manner that is seen as equitable, the cuts have to start from the top and have to be structured so that those who can most easily bear them take more of the burden. The most obvious instrument that governments have available to them to do this is taxation. Pay-setting involves a complex process of market rates, organized pressure, and political decision-making; revenue decisions are wholly in governments' hands, and can be tailored to achieve a whole variety of distributive objectives. This is difficult. The existing revenue base is slumping alarmingly, a good deal of restructuring is needed, and there are risks in increasing taxes, especially on labour, in the middle of a recession. Government has already stated that the taxes will not be changed in the next budget, notwithstanding ICTU's preferences.<sup>25</sup> So public spending takes centre stage.

This seems to me to present a problem from the start. Public sector pay rates, the cost of service provision, and rates of transfer payments, are central to the problem in the public finances. But this has to be plausibly situated in a wider story about competitiveness, growth, and the possibility of living standards rising in the future, if equity is to be maintained and consent to the adjustment strategy is to be won.<sup>26</sup> And it has to take place in a visible strategy of distributing the burden that has to look proportional to ability to pay.

The main vehicle we have in Ireland for negotiating consent to a wide-ranging strategy affecting distributive outcomes is social partnership. Philip Lane has argued that it would be better if public sector wage adjustments could be secured through social partnership, since this would make it possible to look jointly at pay, job numbers, and service delivery (P Lane 2009, pp.244-5). But the process is not in good shape at the moment. For many years it has not been put under any real strain. Indeed we can now see how, since 2000, some hard choices about competitiveness were avoided. Solving one set of problems about public sector

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<sup>25</sup> 'There is Still a Better, Fairer Way', Irish Congress of Trade Unions.  
[http://www.ictu.ie/download/pdf/better\\_fairer\\_way.pdf](http://www.ictu.ie/download/pdf/better_fairer_way.pdf)

<sup>26</sup> For example, Ireland ranked 22<sup>nd</sup> out of 30 OECD countries for broadband penetration in December 2008, hardly a firm foundation for the 'smart economy'. OECD report:  
[http://www.oecd.org/document/54/0,3343,en\\_2649\\_34225\\_38690102\\_1\\_1\\_1\\_1,00.html#Penetration](http://www.oecd.org/document/54/0,3343,en_2649_34225_38690102_1_1_1_1,00.html#Penetration).  
See also National Competitiveness Council. 2009. Annual Competitiveness Report. Dublin.  
[http://www.competitiveness.ie/media/ncc090818\\_acr\\_2009.pdf](http://www.competitiveness.ie/media/ncc090818_acr_2009.pdf)

pay – breaking the escalator effect of relativities – resulted in another fudge in the shape of benchmarking. But without some mechanism for addressing competing perspectives, and in a context where there is not even any shared analysis of how the economy works and what it can bear,<sup>27</sup> conflict seems all but inevitable.

Avoiding conflict is not the only objective – Irish governments, being notoriously conflict-averse, have a tendency to back off hard choices and to end up with suboptimal and easier outcomes. Alternatively, the government may decide to press on with cuts despite union opposition; after all, notwithstanding what the public sector unions say, 70% of voters in September 2009 expressed a preference for spending cuts as opposed to 14% who preferred higher taxes to deal with the crisis in the public finances. Except that clear majorities also opposed cuts in specific spending items such as child benefit and welfare payments; and views on direct pay cuts are yet to be tested.<sup>28</sup>

So a process of realistic engagement with the issues, and a focused exchange of views, may well be a better way to get a strategy that everyone will buy into and that might work better than any alternative. Social partnership did prove important to managing hard times at a couple of pivotal moments – not only at the foundational moment in 1987, but also during the currency crisis in 1992/3 (Hastings, Sheehan and Yeates 2007; Roche 2007; 2009).

Accurate information about what is happening across the economy can only help in clarifying what is at stake. The evidence is mounting that benchmarking created systematic pay advantages for those in public sector employment, not only when we factor in job security and pensions entitlements, but in basic pay rates too (Boyle, McElligott and O'Leary 2004; Kelly, McGuinness and O'Connell 2009; O'Leary 2002). Although there has been much anecdotal evidence of pay cuts in the private sector, data are contested. In September 2009, IBEC reported a pattern of pay and recruitment freezes. A minority had implemented pay cuts; a minority awarded pay increases. Downward cost adjustment is taking place mostly

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<sup>27</sup> See, for example, Paul Sweeney & David Croughan, 'Wage cuts - road to recovery or path to prolonged slump?' *Irish Times*, 19 October 2009; David Begg, 'Government policy risks severe deflationary shock', *Irish Times*, 26 October 2009.

<sup>28</sup> Stephen Collins, 'Majority of voters against cuts in child benefit', *Irish Times*, 28 September 2009. <http://www.irishtimes.com/newspaper/frontpage/2009/0928/1224255368960.html>

through cuts in bonuses rather than pay rates. And many firms prefer to cut numbers than to cut pay, which is borne out by rising unemployment.<sup>29</sup>

But social partnership can't do everything itself, and there are real limits to its reach across the economy, even during the good times (Hardiman 2000; 2006). Trade union membership accounts for perhaps 40% of employees, but has no presence in many workplaces and especially in modern high-tech firms; density is far higher in the public than in the private sector, and public sector unions play a preponderant role within ICTU. Much of the private sector does not rely on IBEC's representative role in partnership agreements to set their pay rates.

Those who did best out of the boom – people on the highest incomes, many self-employed people, many in the traditional professions – are not currently part of what must become a kind of national dialogue. Government is not blameless in this. Successive governments have taken the legal profession at their own valuation in rewarding them for their work in Tribunals. Rates of reward for hospital consultants are considerably above those in most other European countries, which partly explains why there are relatively fewer of them in Ireland per head of population, and most also have sizeable private practices on top of their public contract salaries. Many people find it hard to credit that banks are paying bonuses again, and awarding salary increases, while their bail-out is still under debate. High-profile bonus payments in the public sector, referring to previous years' performance but only announced now, set a tone that can only be described as unfortunate.

More generally, the collapse in confidence in the government that I noted at the outset overlays a deeper public disengagement from the political process that has been accumulating over a number of years. The steady flow of news about corruption scandals, misuse of public money, opaque processes in issuing licences, poor regulation, banks behaving with cavalier

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<sup>29</sup> IBEC Business Sentiment Survey, Autumn 2009.

[http://www.ibec.ie/IBEC/DFB.nsf/vPages/Economics\\_and\\_taxation~Resources~business-sentiment-survey-q3-2009-15-09-2009/\\$file/IBEC%20Sentiment%20Survey%20Q3%2009-Employment.pdf](http://www.ibec.ie/IBEC/DFB.nsf/vPages/Economics_and_taxation~Resources~business-sentiment-survey-q3-2009-15-09-2009/$file/IBEC%20Sentiment%20Survey%20Q3%2009-Employment.pdf) ;

Brian Sheehan, 'ESRI admits pay cuts still short of its expectations', *Industrial Relations News*, IRN 37, 14 October 2009.

<http://www.irn.ie/issues/article.asp?id=15239&issueType=4&kw=pay%20cut%20private%20sector> .

CSO data for early 2009 reported an average rise in average hourly private sector earnings. The data may be overtaken by events during 2009. But it could also reflect changes in the composition of employment, with lower-paid employees most likely to lose their jobs.

<http://www.cso.ie/releasespublications/documents/earnings/current/earnlabcosts.pdf>

abandon, the scale of mismanagement of planning and land zoning, and so on, have engendered a widespread and ready cynicism about the political process. The Fianna Fáil tent at the Galway Races was folded away recently, and not only because of recession. But it still stands for what many people believe was very typical of politics in the boom years – a too-close association between property developers, builders, and the political class, doing one another favours. There is a lot of ground to be made up in the credibility of the political process as a means of ensuring probity and organizing equity of sacrifice.

So it is important for symbolic as well as practical reasons that the politicians themselves take the lead. If they want to do this convincingly, then cuts must be more than symbolic. They must bear some real relationship to the scale of the crisis they want to advertise, as well as to the realistic comparison of rates of remuneration for politicians in other comparable jurisdictions. It is not that long since we were being told that our Taoiseach believed his remuneration package should be comparable to those of political leaders in countries multiple times the scale of Ireland's. Given the scale of the increases enjoyed by top public employees over time, pay cuts of the order of 15%, as reportedly recommended by the Review Body on Higher Remuneration in the Public Sector, might even perhaps be thought rather modest.<sup>30</sup>

Even if the government is unwilling to do anything about employee income tax at the present time, there is plenty of scope to start to reform the profile of tax breaks and exemptions. This would go some way toward meeting ICTU's demands for fair tax treatment for everyone. Some progress was made during the last few years to repair the inequitable effects of tax allowances for private health insurance and to close off the more egregiously indefensible tax breaks such as the Section 23 construction schemes which helped fuel the construction boom and gave us the rash of unusable housing scattered around the country. The overall net effect of taxes and welfare recently has been broadly progressive.<sup>31</sup> But many tax breaks now need to be looked at seriously again. Many items that were written into Irish tax codes seem to have had no other purpose than to provide loopholes for people to shield their wealth from tax liability entirely legally. Some seem to have been designed to cater for the needs of tiny

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<sup>30</sup>Especially as it is as yet unclear whether this is additional to or incorporating the levies already incurred in 2008/9. 'Review proposes pay cuts of up to 15% for top civil servants', *Irish Times*, 2 November 2009.

<sup>31</sup>Callan, Keane, Walsh, 'Tax Reform: Selected Issues'. ESRI Budget Perspectives, 13 October 2009. <http://www.esri.ie/UserFiles/publications/20091021100850/BP10CallanKeaneWalsh.pdf>



numbers of people, like Ken Rohan's retrospective coverage in Bertie Aherne's 1993 Budget (Cooper 2009; Finlay 1998). The Revenue Commissioners regularly report on the tax status of the top couple of hundred wealthy people who are within their purview, people who can typically ensure that their net tax liability is kept very low indeed, mostly through property-related tax shelters. A number of allowances that had permitted the top 1% of taxpayers to shelter much of their wealth were abolished in 2006 and 2007.<sup>32</sup> But the Commission on Taxation Report was still able to identify many more tax shelters for which it could find no defence (Report 2009, pp.149-53, 229-46). Tightening up on these may not yield anything like the pot of gold some seem to think is available. A broad-based income tax will continue to be a major source of revenue and the 'colossal engine of finance' that Gladstone called it in 1853. But serious moves toward implementing the broad-based reforms recommended by the Commission on Taxation will be an indispensable step if the credibility of a strategy based on 'all being in it together' is to be established.

Ireland owes much of its current difficulty to the national love-affair with property, reflected in its beneficial tax treatment. No-one quite knows how NAMA will work out. Even if it is made invisible as a component of the national debt, there will still be €54 billion of extra public debt tied up there for many years to come. Among the areas of concern is the degree to which bank recapitalization seems to depend on quite optimistic assumptions about how much value commercial property has lost – and how much it will regain over coming years. One might have thought that keeping asset values at more containable levels would be a high priority; but it seems not.<sup>33</sup>

Part of the contribution to the housing bubble came from the immediate increase in land once it was zoned for planning and development. This meant that local government decisions could confer immediate wealth on landowners, and this created the conditions for massive corruption. Meanwhile successive governments have done nothing to implement the recommendations of the 1974 Kenny Report (officially entitled the Report of the Committee on the Price of Building Land) to remove the possibility of making windfall profits from property rezoning. Failure to act has knock-on cost implications everywhere. And the

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<sup>32</sup> <http://www.finance.gov.ie/Viewtxt.asp?DocID=3977&StartDate=1+January+2009>

<sup>33</sup> Karl Whelan, 'NAMA Business Plan Default Rate Assumptions', The Irish Economy blog, 15 October 2009. <http://www.irisheconomy.ie/index.php/2009/10/15/nama-business-plan-default-rate-assumptions>

incentives to invest in property have all sorts of adverse consequences for the national system of innovation (Ó Riain 2008). Irish investors bought up commercial property all across Europe during the boom; yet Irish start-up high-tech companies are starved of venture capital. Land purchase accounts for some 23% of the cost of roads projects in Ireland, but just 12% in England, 10% in Denmark, 9.4% in Greece and 1% in Iceland.<sup>34</sup> Now is surely an opportune moment to rethink how exactly as a society we want to manage resources with immense public interest value such as land, and how to foster ‘Smart Economy’ wealth-creating opportunities in the real and not a bubble economy.

Finally, in addition to the massive job of rescuing the financial system and sorting out huge bad debts incurred on property, the banks and their oversight have to be sorted out. By this I mean not just the regulatory regime, but their size and their function. As Mervyn King, governor of the Bank of England, noted in a speech in mid-October 2009, ‘to paraphrase a great wartime leader, never in the field of financial endeavour has so much money been owed by so few to so many. And, one might add, so far with little real reform’.<sup>35</sup> He went on to suggest that when banks are ‘too big to fail’, even when they have been bailed out at massive public expense, there is no real discipline on them to mend their ways. The same applies to the Irish banks. We have seen that our regulatory system was not able effectively to monitor what was going on inside the banks. But even a reformed regulation system, which is desirable in its own right, may not be able to deal with the moral hazard we have discovered. Banks are not constrained by fear of failure, or by concern for their shareholders’ interests. Reorganization of the banking system to make bank failure less than catastrophic is one possibility. But in addition, as has been noted, if they are too big to fail, they are probably too big to exist at all.

## **Conclusion**

The financial and fiscal crisis in Ireland has not produced a crisis of the political system, though it has rattled it quite profoundly. Unlike Greece or Iceland or Latvia, no government has yet been required to resign, nor have there been riots in the streets. But the hardest

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<sup>34</sup> [http://www.finfacts.com/irelandbusinessnews/publish/article\\_1012308.shtml](http://www.finfacts.com/irelandbusinessnews/publish/article_1012308.shtml).  
David Labanyi, ‘Goodwill payments added €29m to roads’, *Irish Times*, 2 May 2007.

<sup>35</sup> <http://www.bankofengland.co.uk/publications/speeches/2009/speech406.pdf>

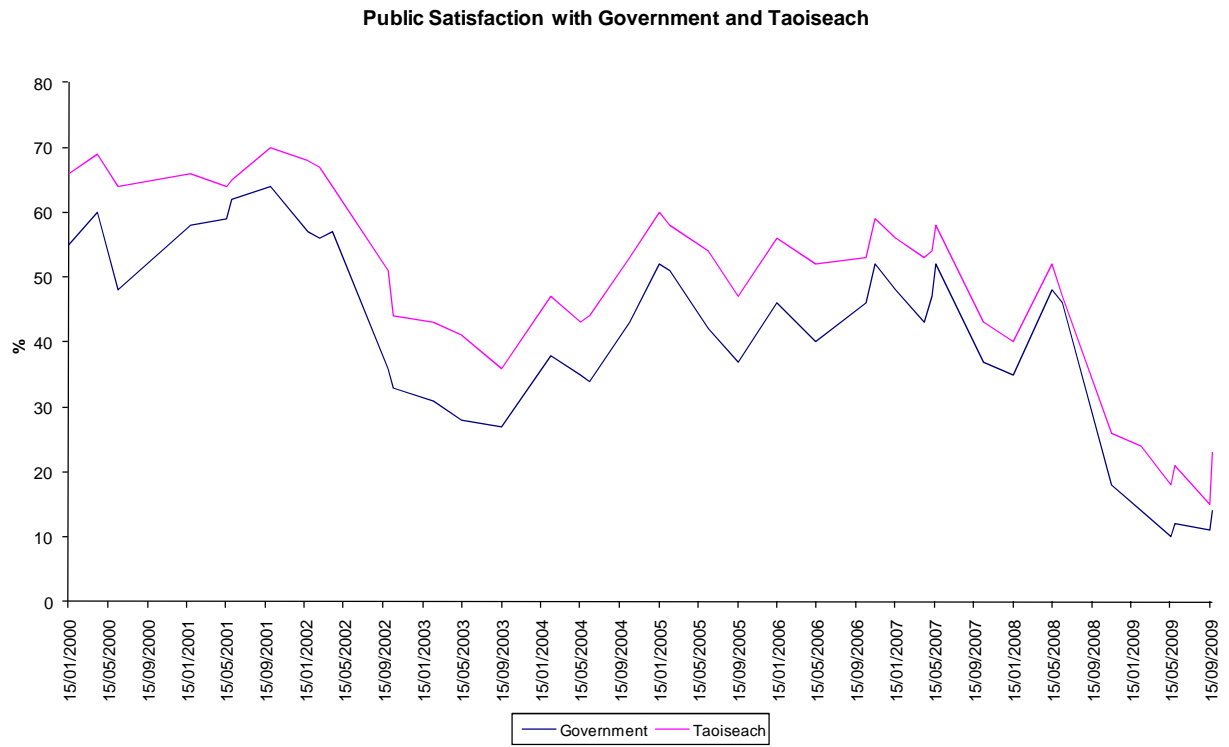
decisions have still to be made, not to mind be implemented. In political circles, the scale of the difficulty is well understood.

It might be thought that the middle of a crisis is not the best time to start trying to fix all the things that are wrong with the political system – ‘ní hé lá na gaoithe lá na scolb’. But the crisis has brought to light how very dilatory and complacent Ireland was during the boom years, when progress could have been made on the institutional and political reforms I have outlined here. We have run out of road – we really need to galvanize debate about the things that are wrong and to take serious measures to fix them.

This is no counsel to rush headlong into institutional reform. It is important first of all to work out what we think is wrong and where it is we want to go. Even within existing institutional arrangements, there is lots of scope for doing things a whole lot better.

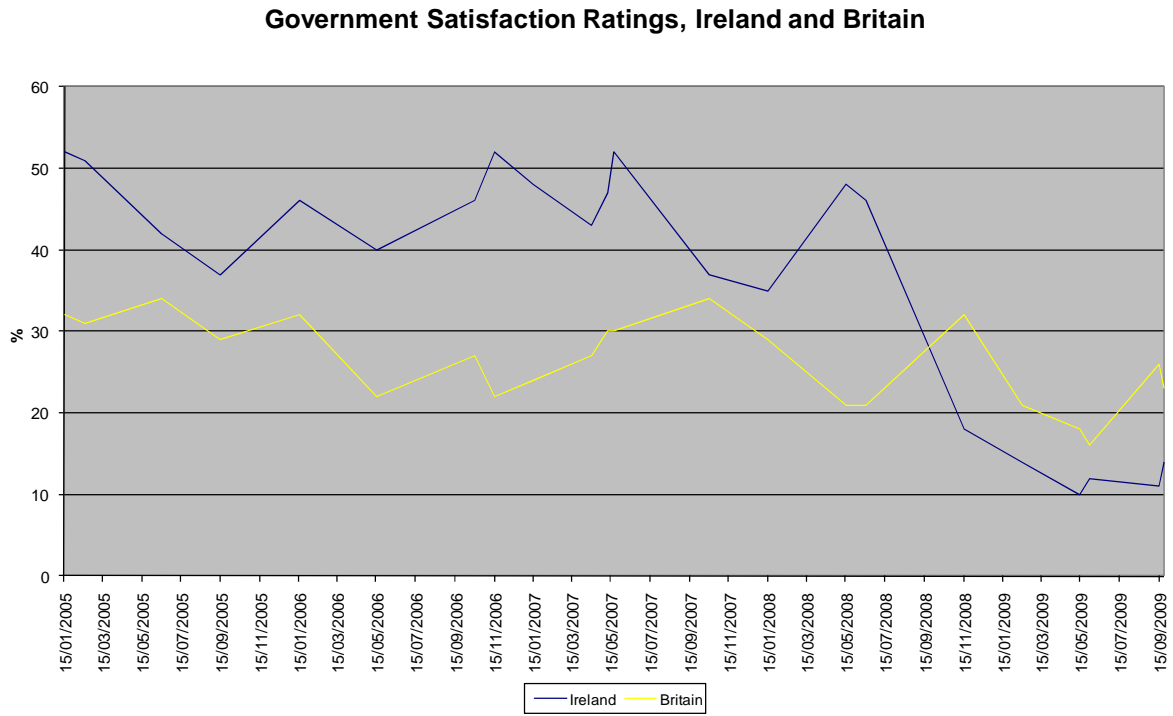
The main challenge is to raise our standards and expectations, the better to raise our game. Some institutional reforms will undoubtedly help to get better policy debates and better quality outcomes. But unless we have the good ideas, and unless we really want to put them into practice, you can reform all you like, but you won't make things any better.

Figure 1 – Public satisfaction with Government and Taoiseach in Ireland



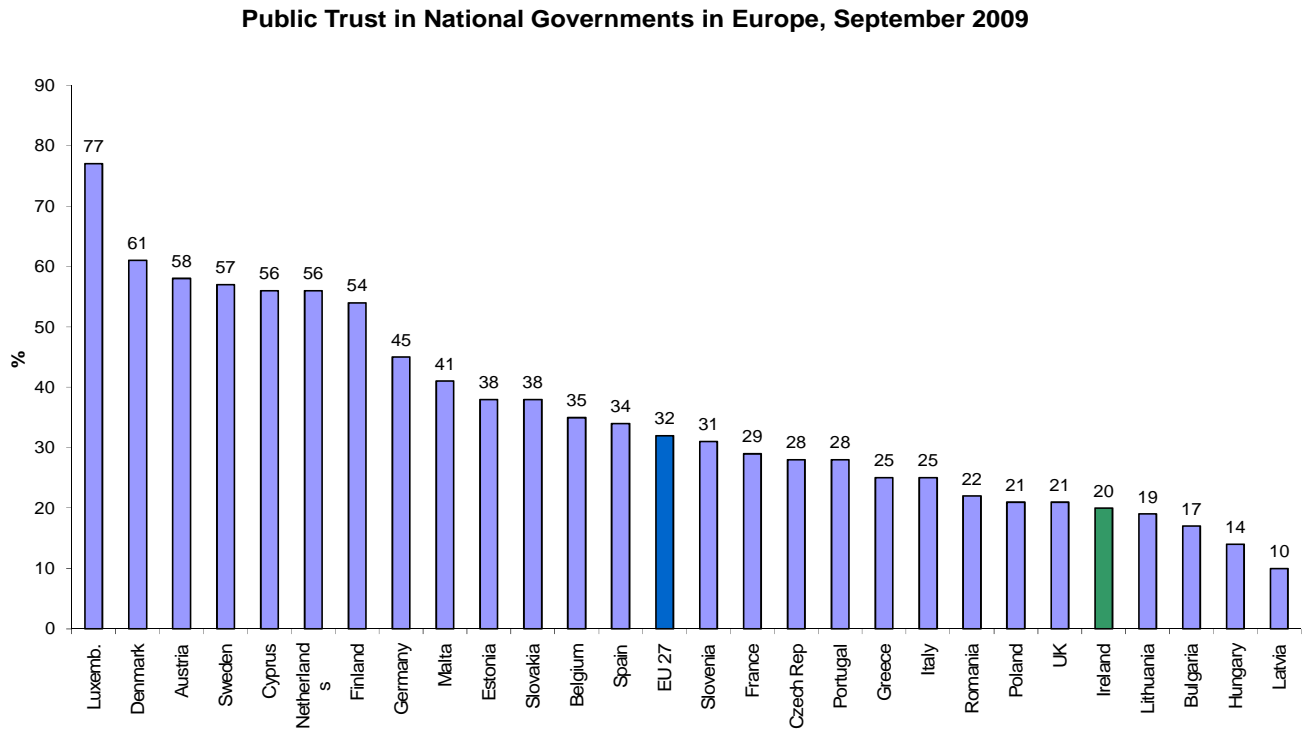
Source: Irish Times/MRBI poll data

Figure 2 – Government satisfaction ratings, Ireland and Britain



Source: Irish Times/mrbi poll data; British IPSOS/MORI poll data.

Figure 3 – Public trust in national governments in Europe, September 2009



Source: Eurobarometer 71, September 2009.

[http://ec.europa.eu/public\\_opinion/archives/eb/eb71/eb71\\_en.htm](http://ec.europa.eu/public_opinion/archives/eb/eb71/eb71_en.htm)

Figure 4 – Models of appointment to parliamentary executives

	<b>Westminster-type systems</b>	<b>Complete separation of executive and legislature</b>	<b>Mixed models</b>
<i>Overlap</i>	Ministers must come from within parliament, including the upper house. Some key personnel have to come from the lower house.	No minister may also hold a seat in the legislature and must resign seat if appointed to government. Not necessarily appointed from the legislature.	Ministers may but need not be from parliament. They may keep their seats in the legislature. Mixed practices on appointing non-parliamentary or experts as ministers.
<i>Accountability</i>	To parliament	To parliament. Ministers may speak but not vote.	To parliament
<i>Examples</i>	Ireland Britain	France Netherlands Norway	Most West European democracies

Source: From (Gallagher, Laver and Mair 2005) and (Strøm et al. 2006).

Figure 5 – Unicameral and bicameral parliamentary systems

	Small countries (<10m)		Large countries (>10m)	
	Unitary	Federal	Unitary	Federal
Unicameral	Denmark* Estonia Finland Iceland Israel Latvia Lithuania Luxembourg Malta New Zealand Norway Portugal Slovakia Sweden**		Greece Hungary	
Bicameral	Ireland	Austria Switzerland	Britain Czech Rep. France Italy Japan Netherlands Poland Spain	Belgium Canada Germany United States

Source: (Lijphart 1984, p.94) and (Gallagher et al. 2005).

\*Denmark: upper house abolished in 1953

\*\*Sweden: upper house abolished in 1970



Figure 6 – Government dominance of parliamentary procedures

Table 7.1: Authority to Determine Plenary Agenda

<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>
IRE UK	FRA GRE	LUX POR SWI	AUT BEL GER NOR SPA	DEN FIN ICE SWE	ITA	NET

- I. The Government alone determines the plenary agenda.
- II. In a President's Conference the government commands a majority larger than its share of seats in the chamber.
- III. Decision by majority rule at President's Conference where party groups are proportionally represented.
- IV. Consensual agreement of party groups sought in President's Conference but right of the plenary majority to overturn the proposal.
- V. President's decision after consultation of party groups cannot be challenged by the chamber.
- VI. Fragmentation of agenda-setting centres if unanimous vote of party leaders cannot be reached.
- VII. The Chamber itself determines the agenda.

Source: Project participants' answers to the author's questionnaire.

Table 7.5: Control of the Timetable in Legislative Committees

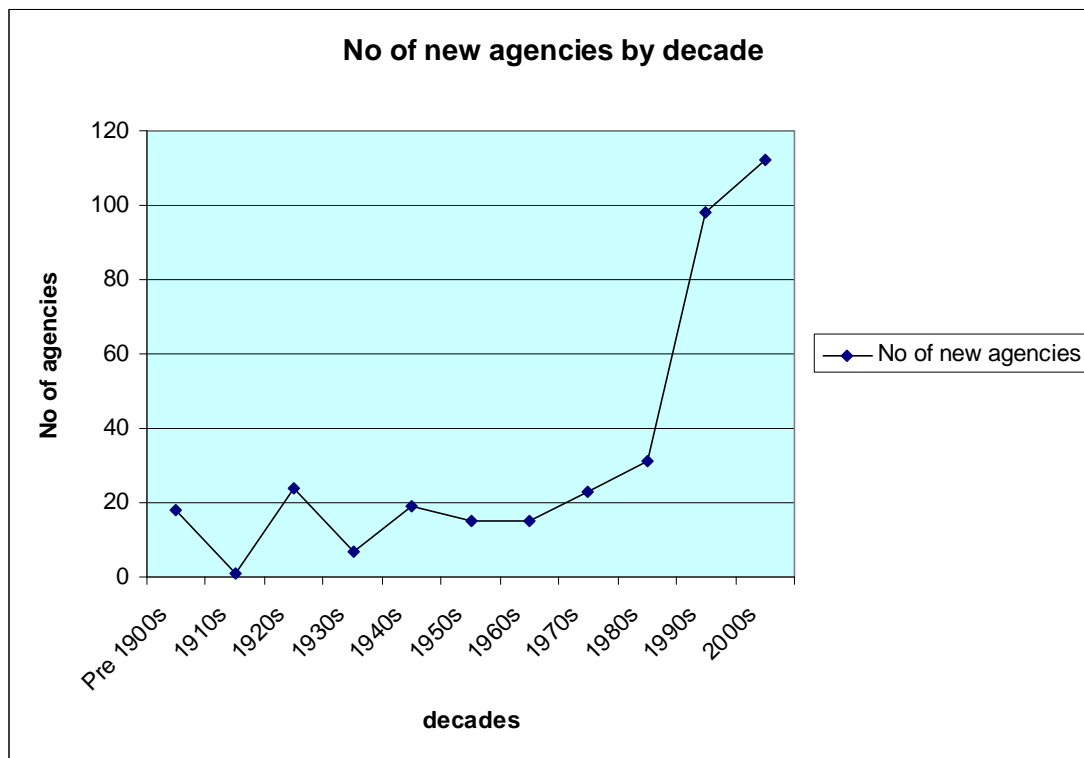
<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>
Finland Ireland United Kingdom	Austria France Greece Italy Luxembourg Norway Portugal Spain	Belgium Germany Switzerland	Denmark Iceland Netherlands Sweden

- I. Bills tabled before the committee automatically constitute the agenda.
- II. The directing authority of the plenary body with the right of recall.
- III. The committees themselves set their agenda but right of recall by plenary.
- IV. House may not reallocate bills to other committees.

Source: Project participants' answers to the author's questionnaire.

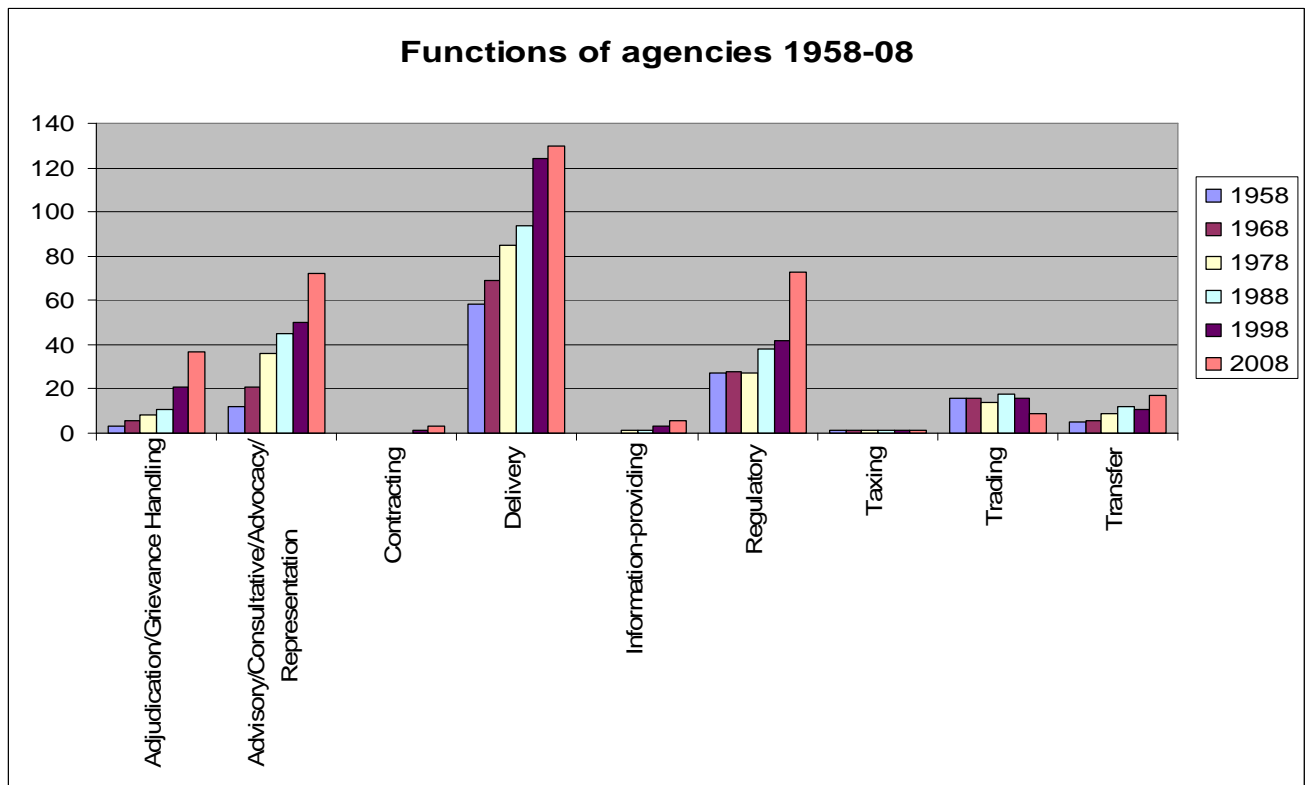
Source: (Döring 1995)

Figure 7 – Number of state agencies in Ireland by decade



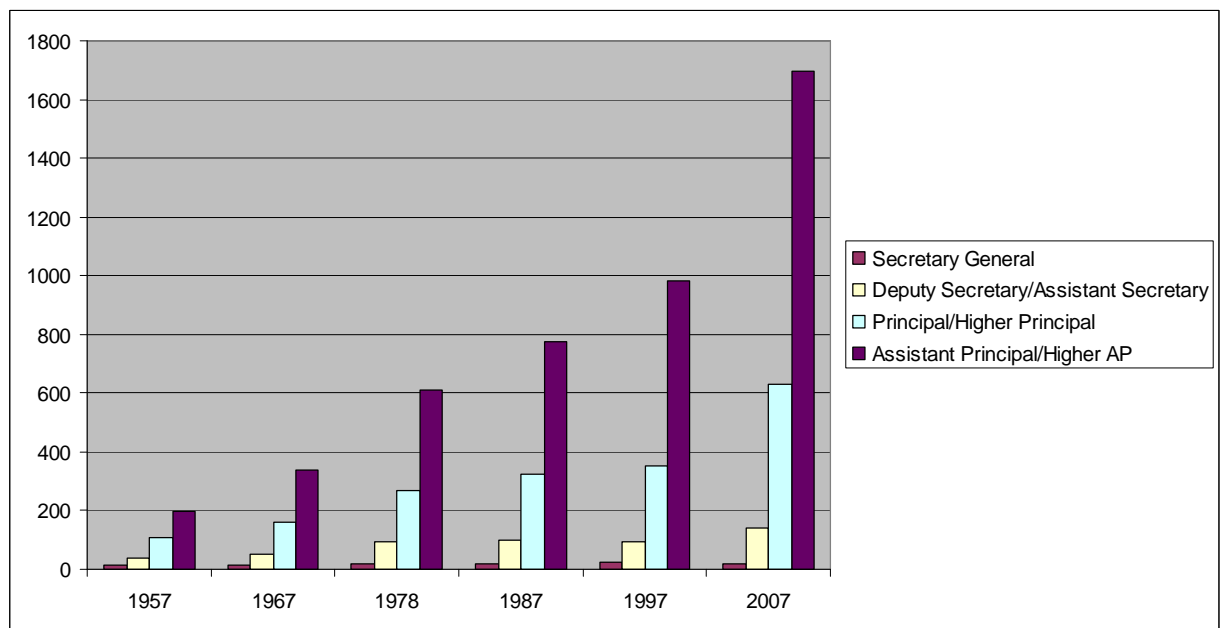
Source: Mapping the Irish State database  
<http://geary.ucd.ie/mapping>

Figure 8 – Functions of state agencies, 1958-2008



Source: Mapping the Irish State database  
<http://geary.ucd.ie/mapping>

Figure 9 – Profile of the civil service grade structure, 1957-2007



Source: (Hardiman and MacCarthaigh 2009)

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