Review: Kieran Allen with Brian O'Boyle, *Austerity Ireland: the Failure of Irish Capitalism*

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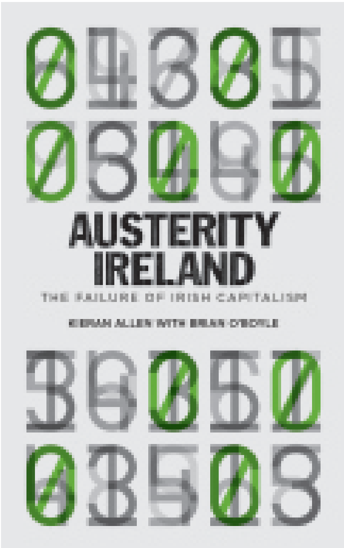

Kieran Allen with Brian O'Boyle, *Austerity Ireland: the Failure of Irish Capitalism* Pluto Press 2013 £13.00

As one would expect, Kieran Allen and Brian OBoyle provide an unrelenting analysis of the austerity programme in Ireland, setting themselves the task of describing causes and forces, promoting a new programme and identifying the political agents to promote that programme. In carrying out this task, the authors set a fast and necessarily abbreviated pace. This means that the nuances of events, the contradictions within the forces that have been driving the austerity agenda (and those who were drive over), and the subjective factors are rarely touched upon. But in truth, in the space allotted that would have been a difficult exercise.

No matter. Describing the onset of the financial crisis and the complex interaction of the main actors in that dismal drama would not change the conclusion: that finance capital, having 'financialised' anything that moved, was capable of unloading its losses on to the public books. And with the active connivance of parties throughout Europe, these losses were to be made good by, well . . . austerity. The shape and character of analysis may differ, the result is the same.

In approaching such books I must confess to reading the ending first - not to find out 'who did it' (in this story, we know) but to read the alternative proposals, the way out of this morass, a new pathway. The authors provide this, and interspersed throughout the text are similar positive propositions. It is, however, in this area that the book fails to realise its potential. Many of the solutions put forward are offered as if they were cost-free, with no potential negative impact or blowback.

Take the issue of mortgage debt. The authors correctly identify private debt as a systemic issue, not one of individual profligacy. This calls for a systemic solution. Again, they correctly call for a write-down on debt to realign debt and current value (that is, to remove negative equity). However, to do this creates problems of its own that cannot be papered over by claiming that it would cost less than the bank bail-out. The necessary write-down of private debt could, if not adequately addressed, blow a hole in the banks' balance-sheets, or the state's, or both. Letting banks fail, or repudiating international debt, only shifts the issue to another sphere, rather than resolving it.

Or the issue of Ireland as a tax haven - that there is even a debate about this issue shows how detached we are from reality. Ireland has been a safe haven for multinational profits since the 1950s. The authors cut through the blather and, further, show that an enterprise strategy based on inducing foreign direct investment through tax and other incentives is not a strategy at all; that the returns to the economy are extremely limited. However, having established this, the authors fail to build on these foundations and to outline an alternative strategy to build a strong indigenous sector in the traded economy. This is unfortunate as this is an open goal for the Left: the historic failure of native capital to build a strong native enterprise platform. Business spokespersons can only put forward tax incentives and labour flexibility as a solution, but in truth this just leaves a void. The Left can fill it, if it turns its attention to it.

A recurring theme in the book is a heavy focus on the cost of the bank bail-out. Clearly, if you carve out over €60 billion from the economy to satisfy the demands of finance capital, the damage will be substantial and long-lasting. The authors emphasise repudiation of this debt and all 'illegitimate debt' as an essential step in recovery. This may be the case; we shouldn't dismiss any option. However, there is no discussion of the impact this might have. What could happen? Ireland frozen out of international markets and unable to borrow; similarly, with banks - a withdrawal of ECB and inter-bank lending, leading to closures and the impact on corporate borrowing (including public enterprises which are reliant on debt-financing for investment); the resulting capital flight as depositors anticipate a withdrawal from the Euro or financial instability; a potential interruption and even reversal of foreign direct investment (the authors' description of Ireland as a tax haven does not take away from the fact that FDI still has productivity - especially in capital-intensive sectors which the Irish economy would be unable to reproduce) and the spill-over impact this would have on the economy, employment and wages. In short, there is every possibility that Ireland would become internationally isolated and instead of creating a socialist economy, we may just end up reverting to an autarkic state.

No doubt, the authors have anticipated such a range of possibilities and may have devised counter-strategies. They do mention two: capital controls and taking businesses into public ownership. The former, which is gaining some traction even with the IMF (Iceland introduced such controls while under IMF stewardship), would still remain problematic for a small open economy exposed to global flows. Would it mean leaving the Eurozone and/or the EU? What would the impact be on our export platform? Public ownership, which is desirable in a range of sectors where public and municipal enterprise could operate in the market economy, would be impractical in many areas - for instance, how do you take a link in the global supply chain into public ownership? What market would these new formations have?

A problem we must be sensitive to is the prospect of long-term instability, whereby resolution of one dilemma leads to creating another, potentially larger, one in an endless succession - repudiating debt leads to capital flight, capital controls lead to leaving the EU, a breakdown in our export base leads to reduced output and employment, collapsed banks lead to new public institutions which are frozen out of international lending; at every turn, a new crisis emerges - a succession of crisis with no guarantee of a positive destination. This is not a formula to attract support from workers.

To describe the injustice of a situation does not automatically lead to a just resolution. A demand is not a policy. And a policy that ignores the political and economic capacity of a society at the current historical juncture is a policy that may portend a better future but, in actual fact, is in danger of current irrelevance. Capitalism has stuck the Irish economy and people in the middle of a very large minefield. To get out of this requires sure, confident steps - all the more so if we want people to step with us.

This is not at all to suggest that the authors have fallen into, or are unmindful of these, traps. The problem is more in the construction of the book. To define problems as deep and endemic as those the Irish economy suffers from, to offer an alternative, and to argue for particular political forces to carry through that alternative - analysis, prescription and agency; that's a big task. It is even more difficult in the limited space the authors have.

It may be more helpful for the reader to treat this as a work-in-progress and focus on the analytical sections which have strong elements. The next step would be for the authors to turn their attention to developing the prescriptions, bearing in mind the downsides, teasing out each implication and give us a larger context in which we can see how the strategies, which were outlined in the current work, would play out. This would give us a stronger basis to consider and discuss both the upsides and the downsides.

We need a bigger and better debate over the Irish economy. Kieran and Brian will hopefully continue to make a provocative and challenging contribution to that debate. I, for one, will look forward to it.