The Economic Crisis and the Irish Political System

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Economic crisis: sudden and severe

Source: CSO Quarterly National Accounts, 25.3.2010

Source: EU Ameco, Total Unemployment Rate
### Financial and fiscal crisis

**Crises**
- Bank regulation
- Fiscal management
- Adjustment within EMU

**Political context**
- ‘Liberal market economy’
- Limited welfare state/divided preferences
- Weak electoral cleavages
The state and public policy: Decision-making institutions

1. Policy capacity and public interest
2. Fiscal policy-making practices
3. The politics of re/distribution
1. Public interest and selective pressures: parties, administrative system

- Parties’ susceptibility to pressure
  - Financing
  - Electoral maximization

- Independent policy advice?
  - Modernization agenda?
Ireland: agencification without decentralization

Source: Mapping the Irish State database
Ireland: agencification without decentralization 2

Functions of agencies 1958-08

Source: Mapping the Irish State database
Ireland’s civil service grade structure

Source: IPA Yearbook, various years
2. Fiscal policy-making

- Executive powers
  - Autonomy of Finance Minister
  - Weakly rule-guided

- Poor checks and balances
  - Legislative scrutiny
Exchequer spend excluding debt service, % GNP

Source: Colm McCarthy, Stabilising the Public Finances, June 2009
Property-related taxes collapsed

€6bn drop in direct property-related revenue in three years

Source: Colm McCarthy, Stabilising the Public Finances, June 2009
Lower reliance on income taxation

Tax: married couple, 2 children, 100% + 67% average earnings

Income tax + employee contributions, less cash benefits, % gross wage earnings

Fiscal deficits

Source: General Government Balance % GDP, EU Economic Forecast, Autumn 2009
ECFIN fiscal rules index

Development of the fiscal rule index in the EU Member States, 1995-2008

Notes: The fiscal rule index was calculated by assessing five criteria of fiscal rules: (i) statutory base of the rule, (ii) nature of the body in charge of monitoring the respect of the rule, (iii) nature in charge of enforcement of the rule, (iv) enforcement mechanisms of the rule and (v) media visibility of the rule. The index is standardised so that the average over the sample 1990-2008 is zero and the standard deviation is one.

Source: Commission services.

Executive control over legislature: the significance of committees

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More government control

Less government control

Adapted from Herbert Döring
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<th>Source: Adapted from Sean O Riain, NUI Maynooth</th>
<th>Government dominance of parliamentary procedures</th>
<th>Control of legislative committee timetables</th>
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The decisive break

Spreads over German 10-year sovereign bonds (basis points)

Source: Department of Finance
Public sector reform:
Legitimation challenges

Public Trust in National Governments in Europe, September 2009

Source: Eurobarometer 71, September 2009
3. Negotiating distributive outcomes

- Uneven reach of social partnership
  - Public sector
  - Symbolic non-employee role

- Mixed macroeconomic stabilization role
  - Logic of EMU
Fall in inflation...

Consumer Price Index 2007-10
Dec 2006=100

CSO, CPI, March 2010
...but debt & mortgages
Personal sector debt repayments to income

10% more disposable income eaten up in debt repayments than seven years ago

Source: McCarthy, ‘Stabilising the Public Finances’, June 2009
Distribution of cuts

**Decisions**
- Higher civil service: reversed
- Weakly tapered cuts: low-paid
- Welfare cuts: no clear labour market rationale

**Potential explanations**
- Insider access
- Catch-all government: weak commitment to equality issues
- Segmented electoral interests in a small welfare state
Political reform – this time?
Mapping the Irish State
http://www.ucd.ie/geary/