

The Economic Crisis and the Irish Political System

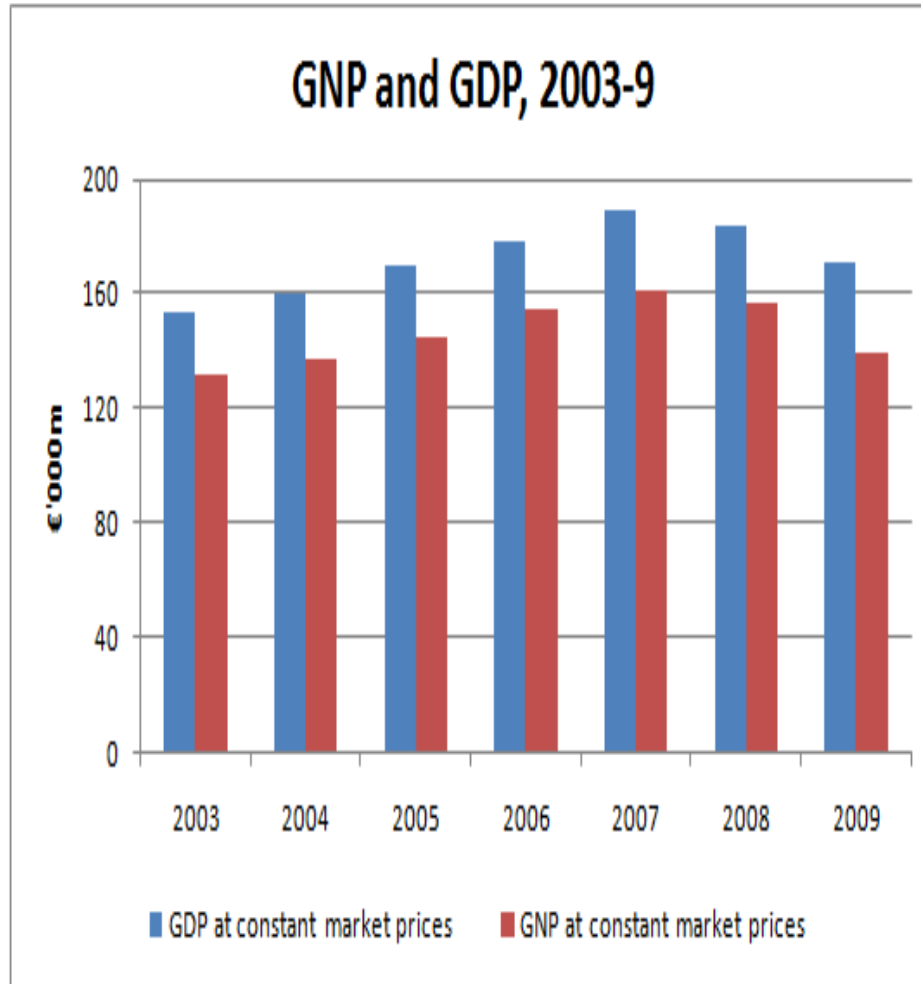
Niamh Hardiman



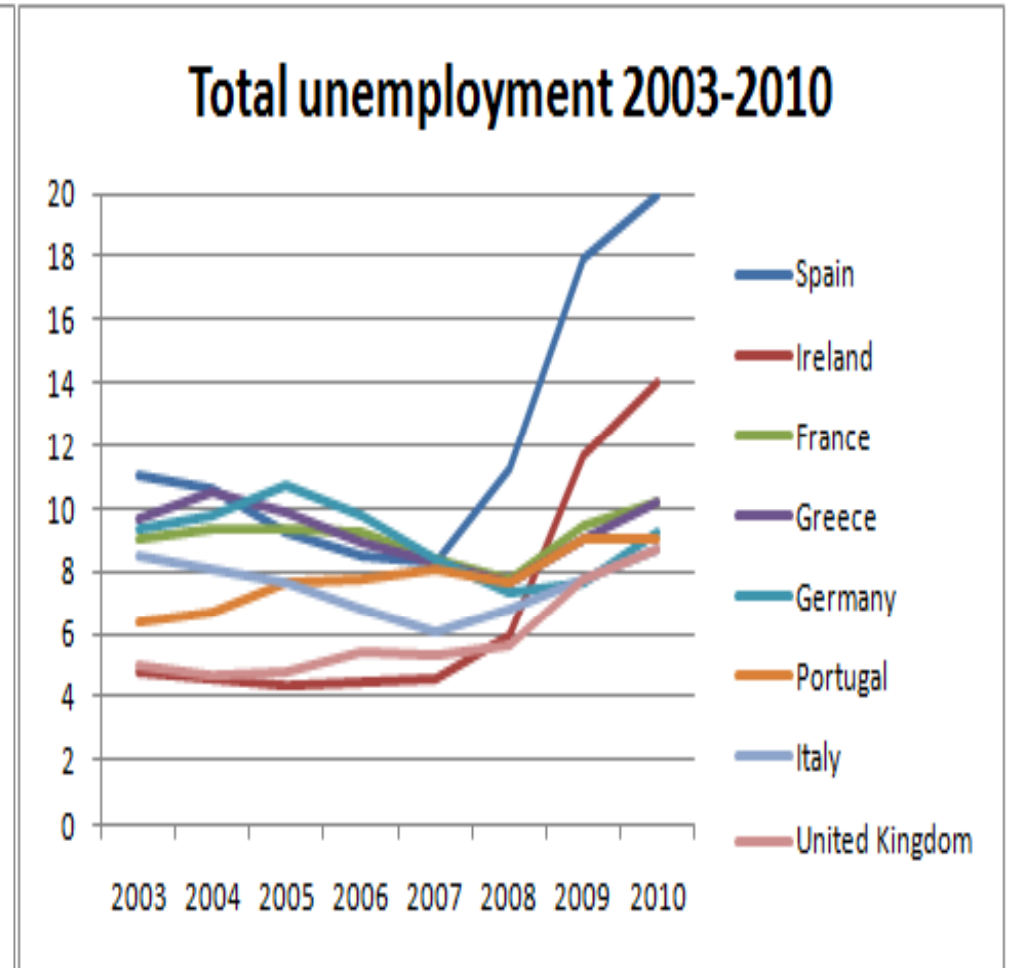
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Economic crisis: sudden and severe



Source: CSO Quarterly National Accounts, 25.3.2010



Source: EU Ameco, Total Unemployment Rate

Financial and fiscal crisis

The background of the slide is a photograph of a city skyline. In the foreground, there are several tall yellow construction cranes. In the background, there are modern high-rise buildings and a prominent church spire with a dark roof. The sky is blue with some light clouds.

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

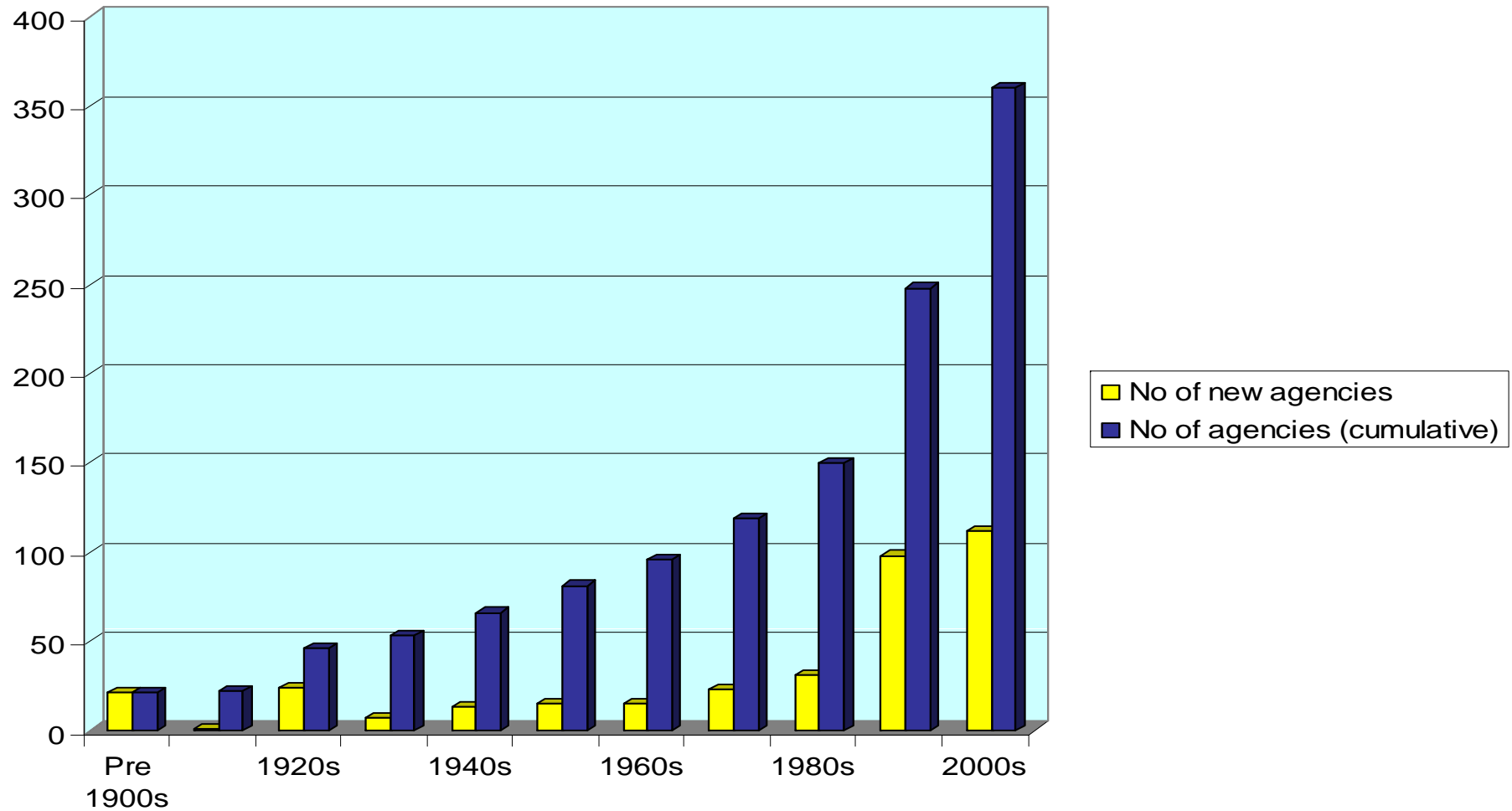


1. Public interest and selective pressures: parties, administrative system

- Parties' susceptibility to pressure
 - Financing
 - Electoral maximization
- Independent policy advice?
 - Modernization agenda?

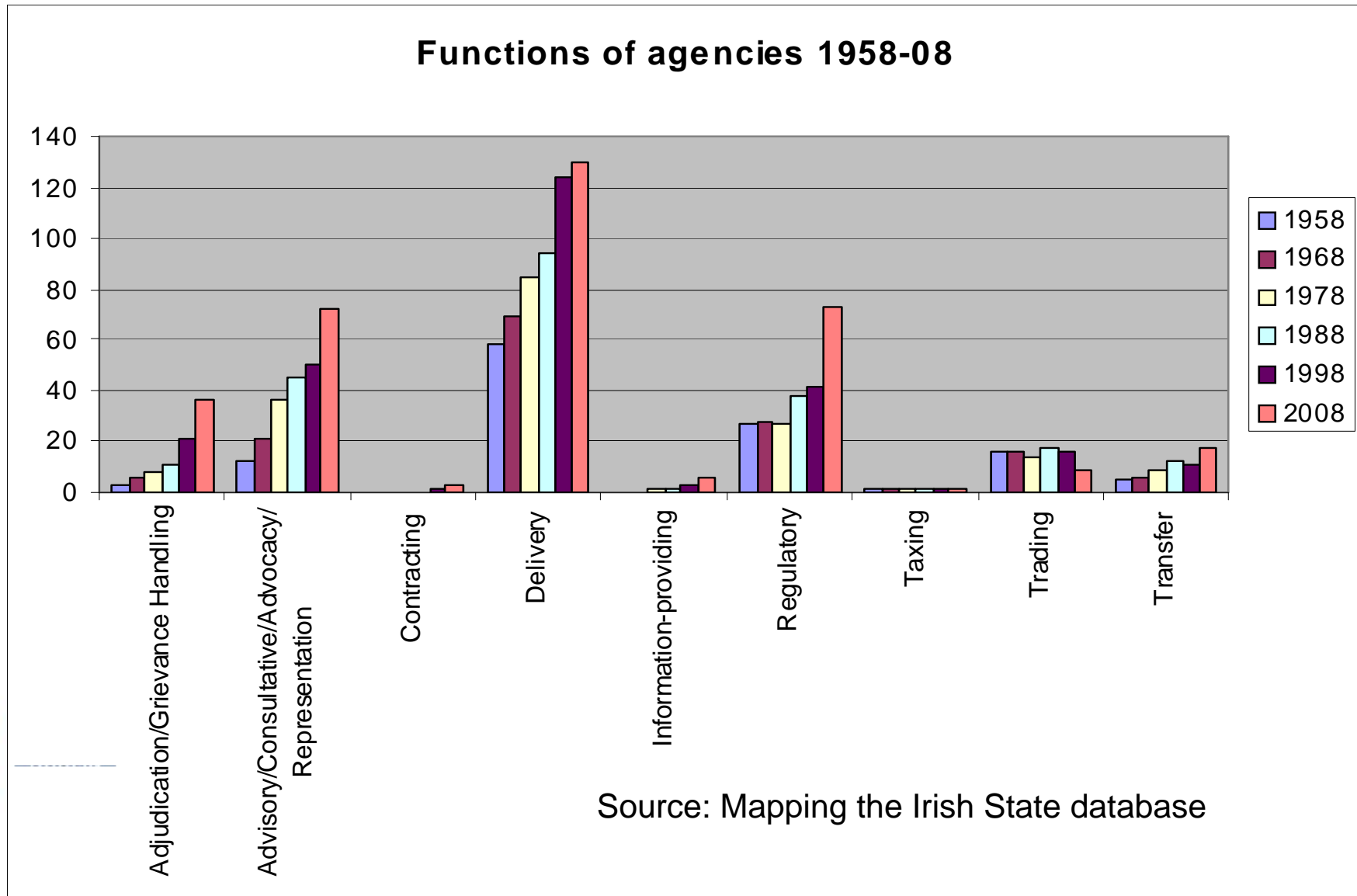


Ireland: agencification without decentralization 1

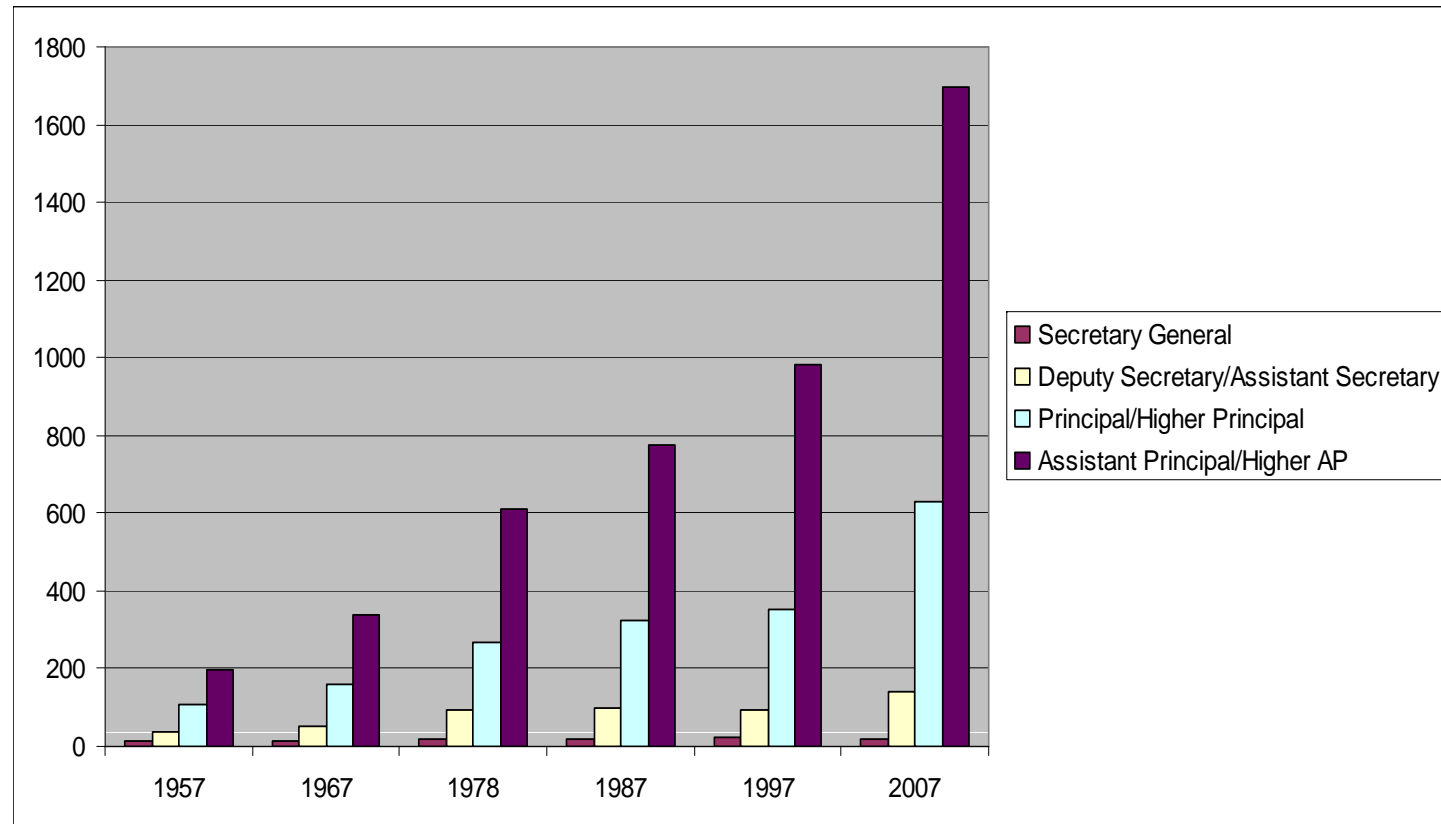


Source: Mapping the Irish State database

Ireland: agencification without decentralization 2



Ireland's civil service grade structure



Source: IPA Yearbook, various years

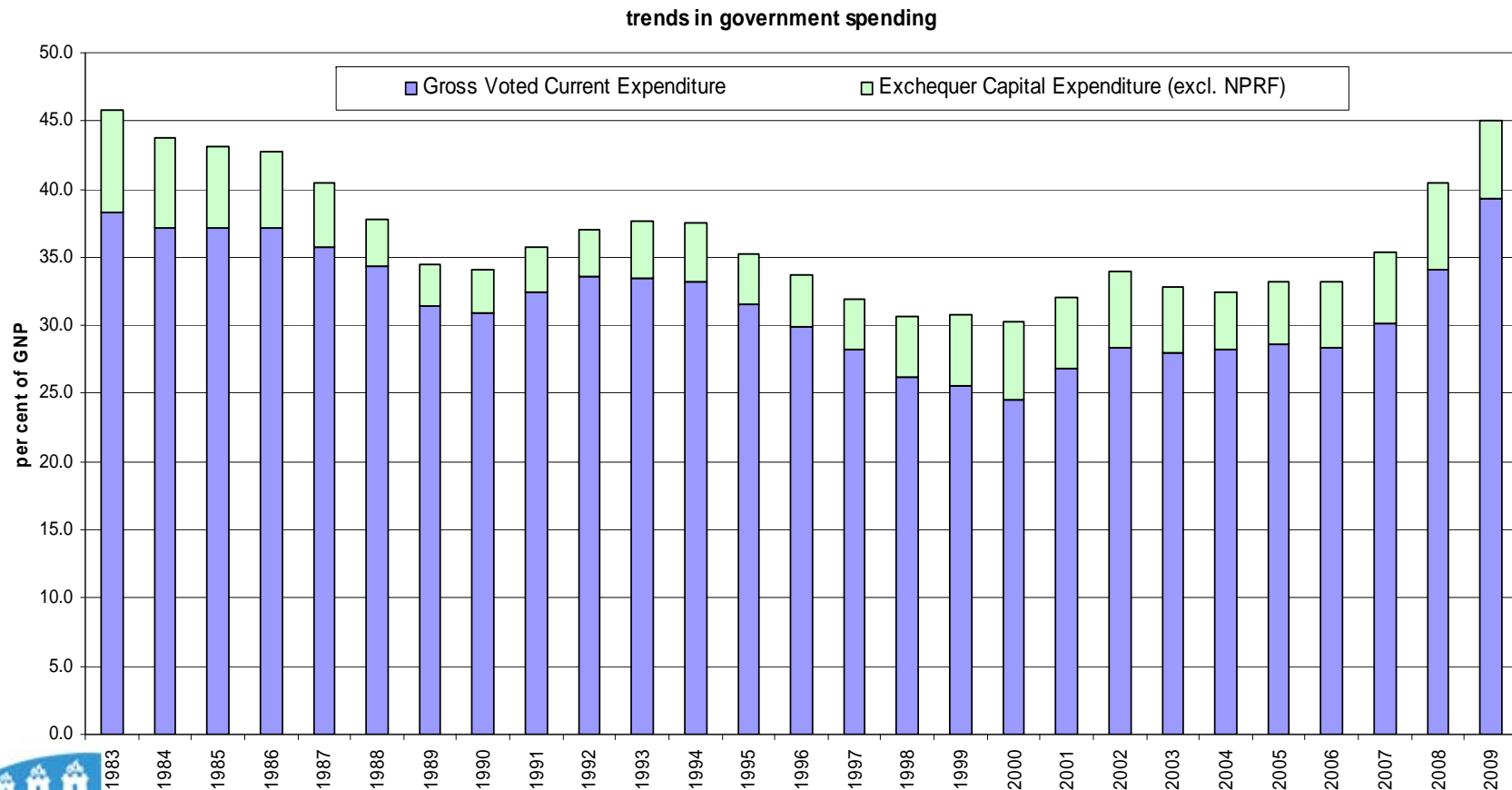


2. Fiscal policy-making

- Executive powers
 - Autonomy of Finance Minister
 - Weakly rule-guided
- Poor checks and balances
 - Legislative scrutiny

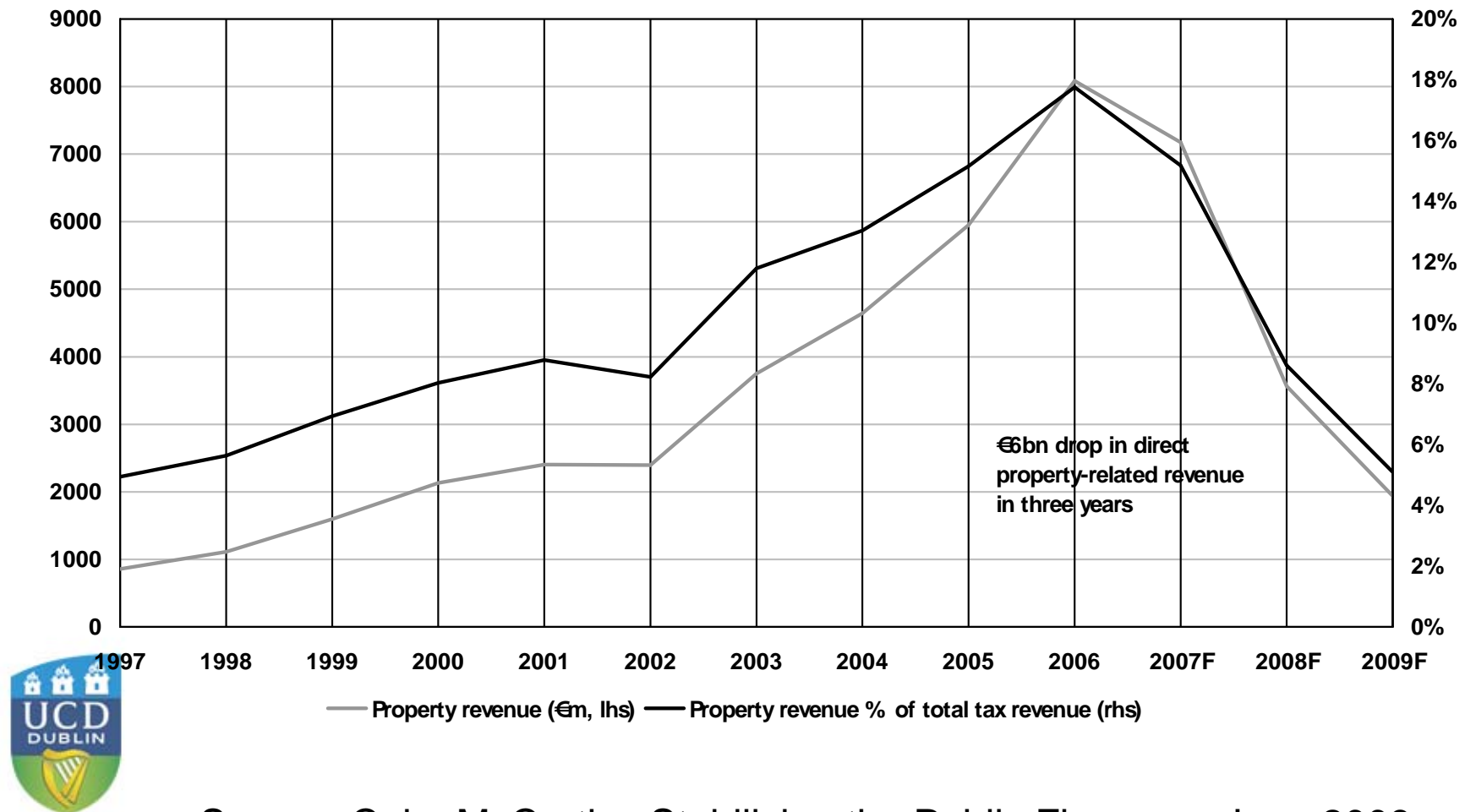


Exchequer spend excluding debt service, % GNP



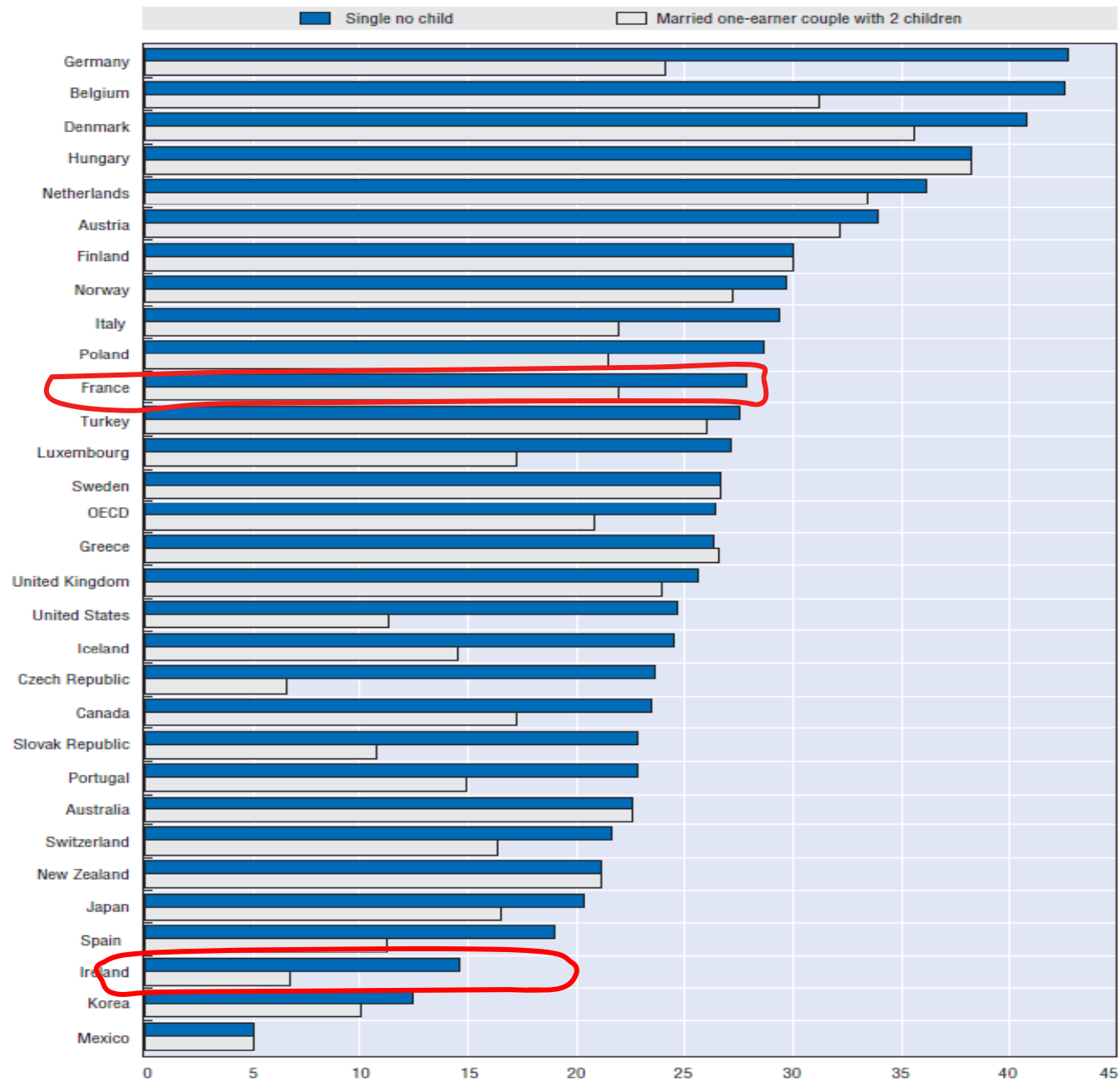
Source: Colm McCarthy, Stabilising the Public Finances, June 2009

Property-related taxes collapsed



Source: Colm McCarthy, Stabilising the Public Finances, June 2009

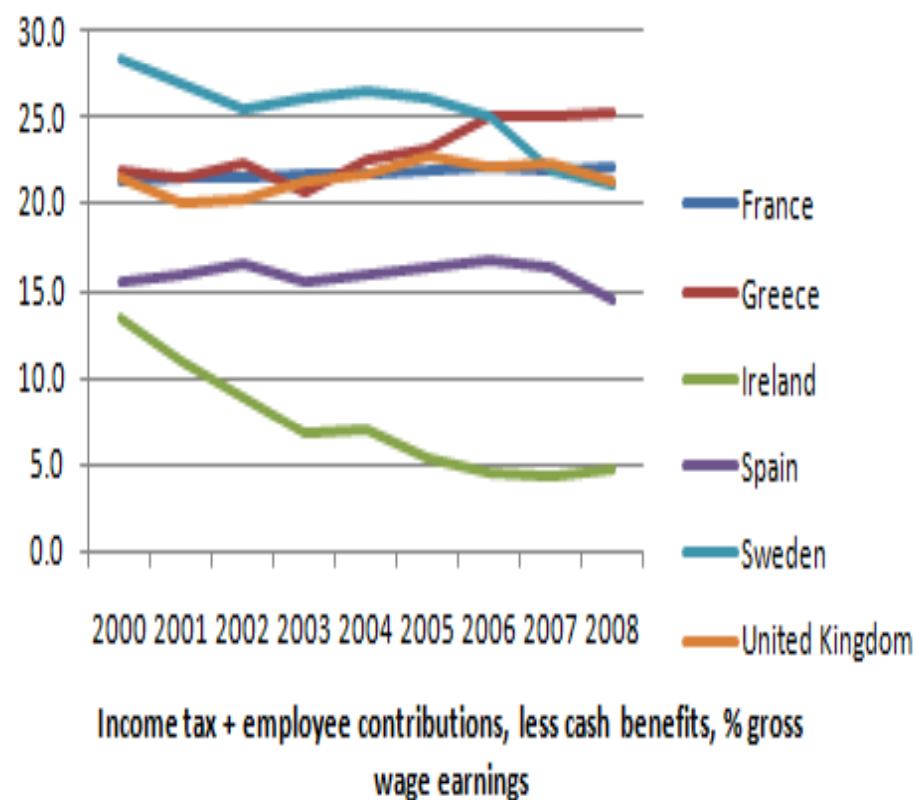
Figure I.2. Income tax plus employee contributions, by family-type
(as % of gross wage earnings), 2008



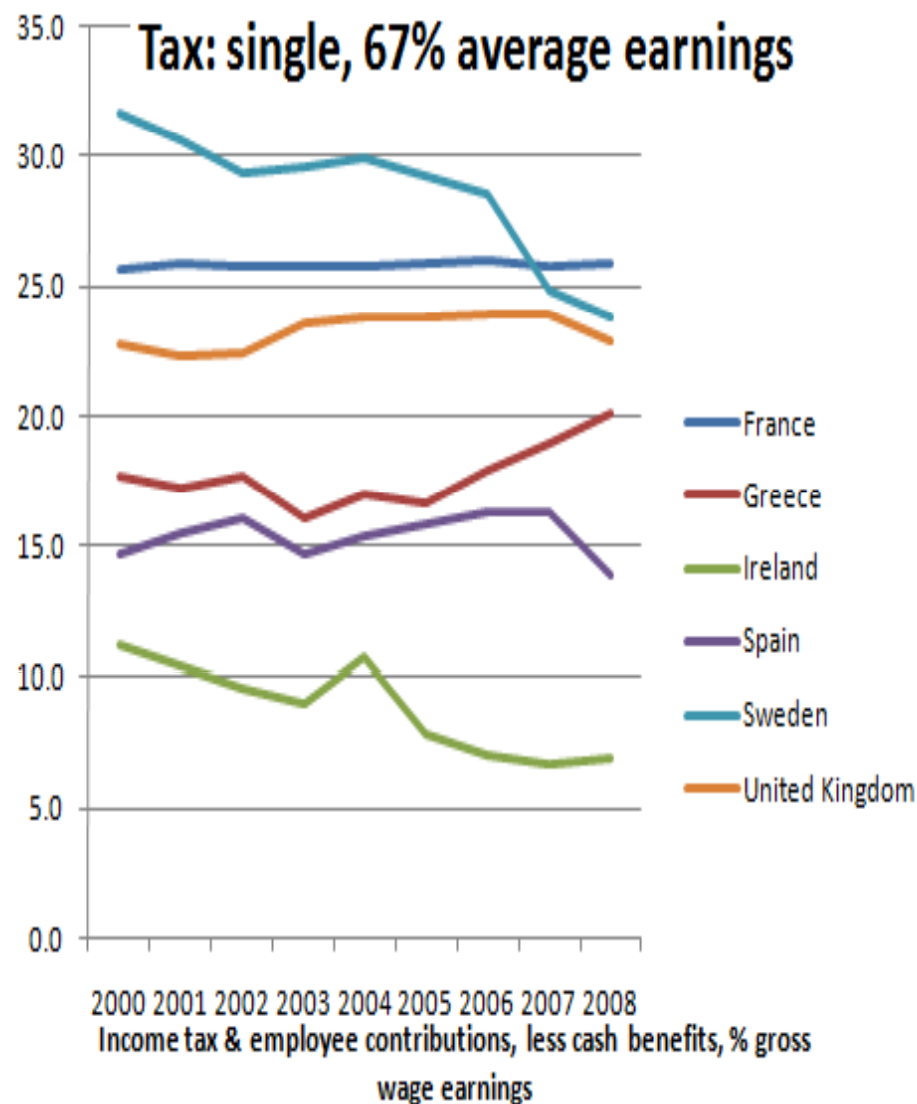
Lower
reliance on
income
taxation

Source: OECD,
Taxing Wages
2007-8 (2009),
p.51

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

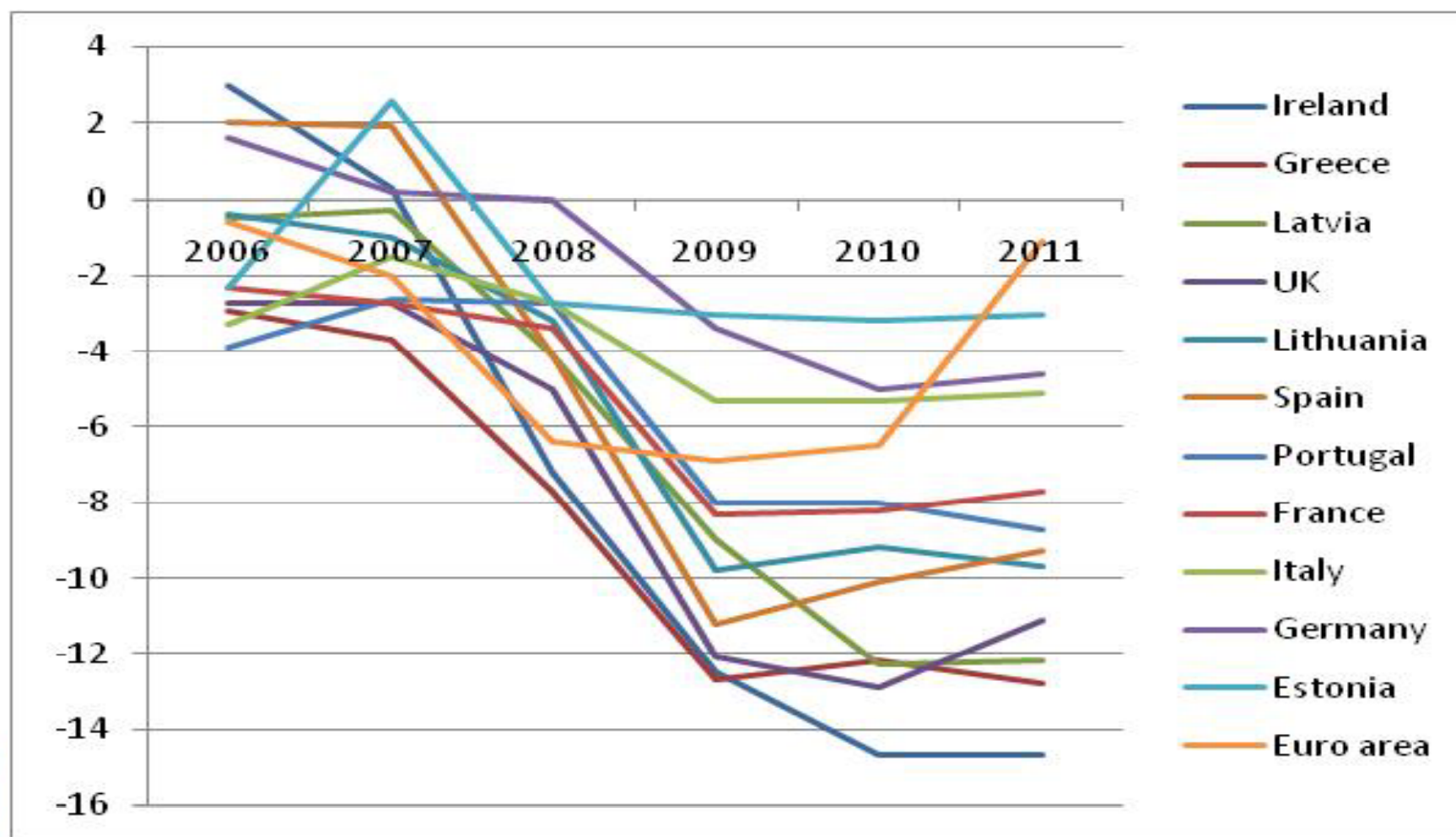


Tax: single, 67% average earnings



Source: OECD *Taxing Wages* 2007/8 (2009)

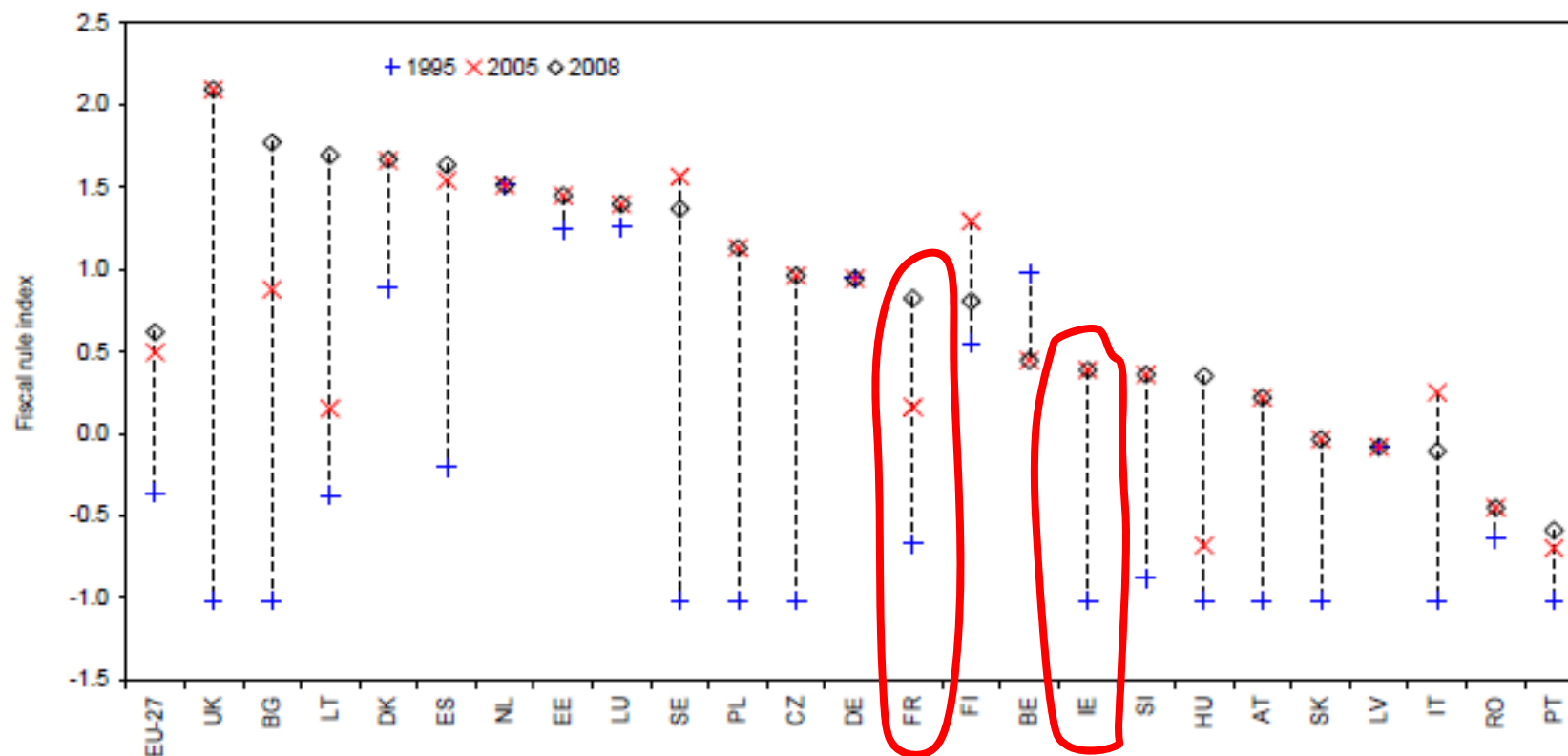
Fiscal deficits



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

1	2	3	4	5	6	7
Ireland Britain	France Greece	Luxmbg Portugal Switzld	Austria Belgium Germany Norway Spain	Denmark Finland Iceland Sweden	Italy	Netherls



More government control

Less government control

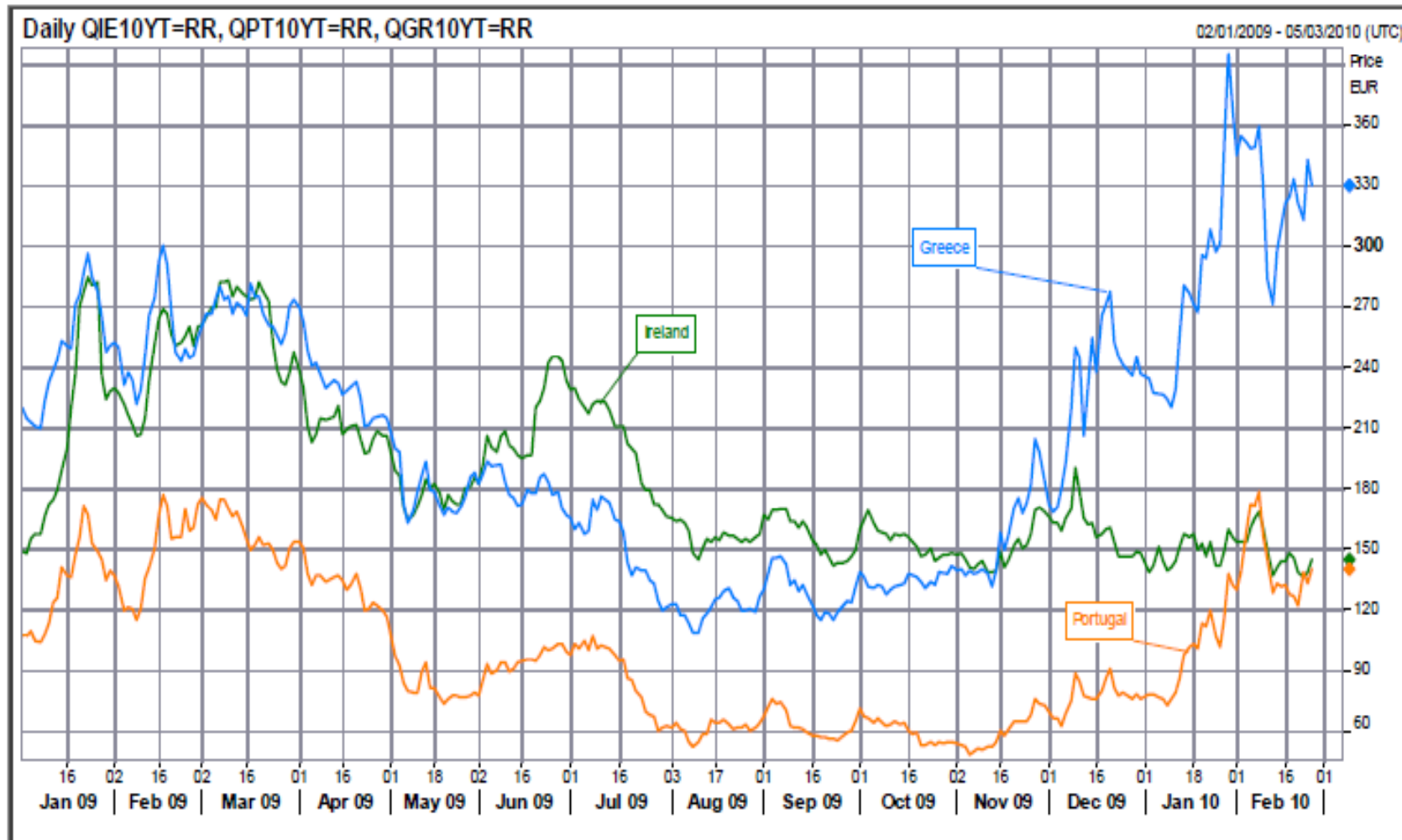


Adapted from Herbert Döring

<i>Source: Adapted from Sean O Riain, NUI Maynooth</i>	Government dominance of parliamentary procedures	Control of legislative committee timetables	Average 'score'
<i>LIBERAL MARKET ECONOMIES</i>			1
Ireland	I	I	1
UK	I	I	1
<i>MEDITERRANEAN</i>			2.8
Italy	VI	II	4
Greece	II	II	2
Portugal	III	II	2.5
<i>CONTINENTAL ECONOMIES</i>			3.7
Germany	IV	III	3.5
France	II	II	2
Netherlands	VII	IV	5.5
<i>NORDIC SOCIAL MARKET ECONS</i>			4
Denmark	V	IV	4.5
Finland	V	I	3
Sweden	V	IV	4.5

The decisive break

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

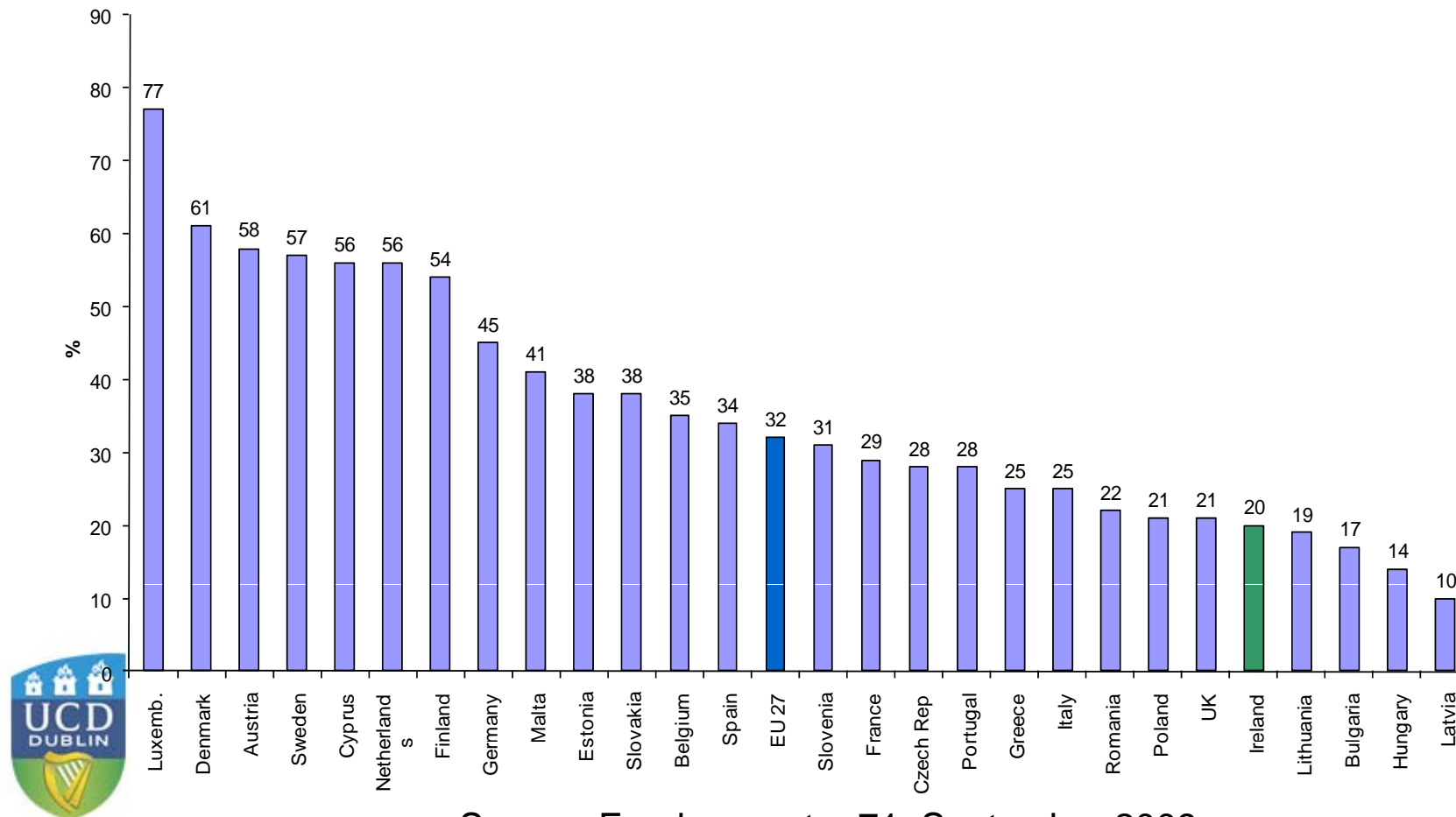


Source: Departmentt of Finance

<http://www.finance.gov.ie/documents/speeches2010/spl43irishtax.pdf>

Public sector reform: Legitimation challenges

Public Trust in National Governments in Europe, September 2009



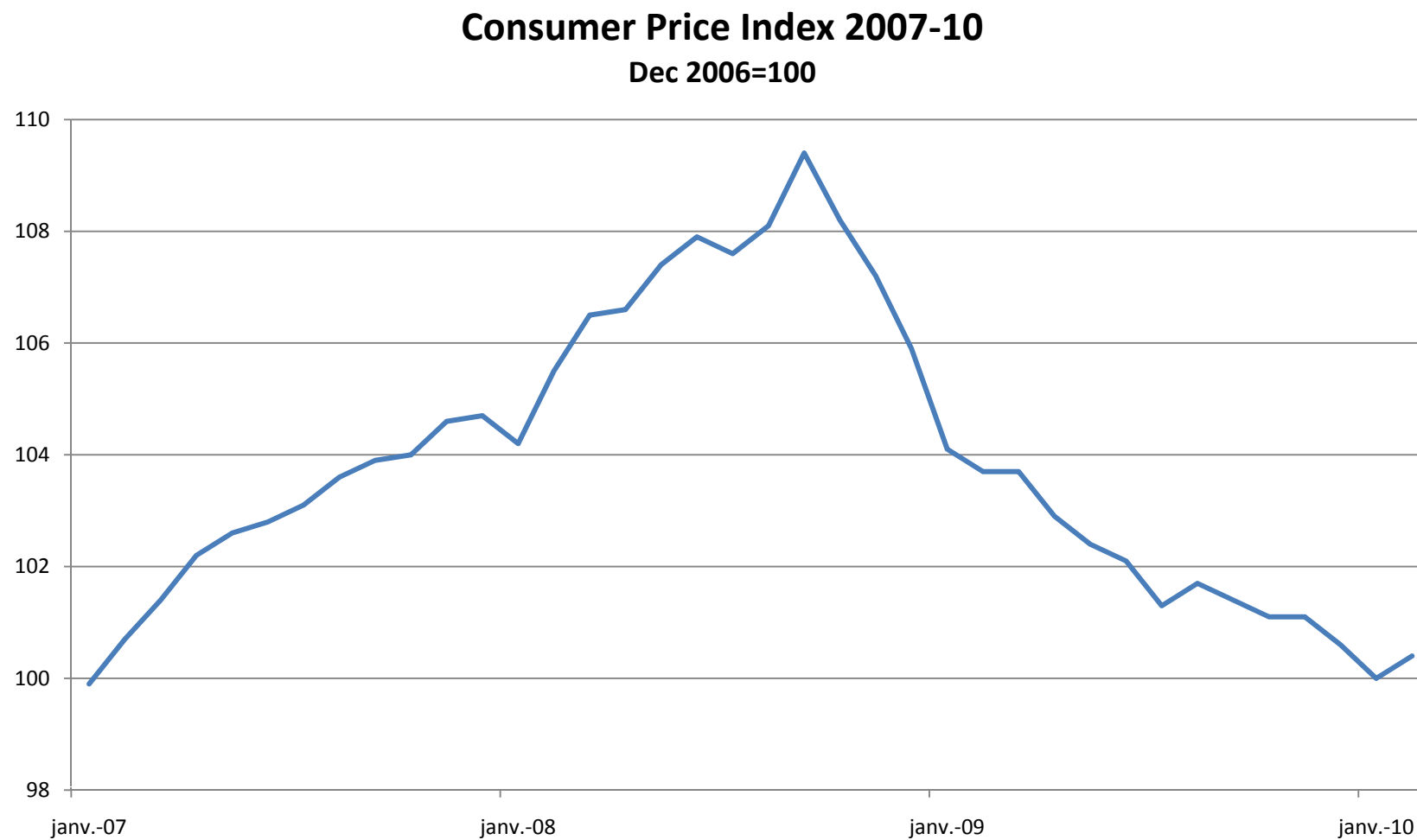
Source: Eurobarometer 71, September 2009

3. Negotiating distributive outcomes

- Uneven reach of social partnership
 - Public sector
 - Symbolic non-employee role
- Mixed macroeconomic stabilization role
 - Logic of EMU



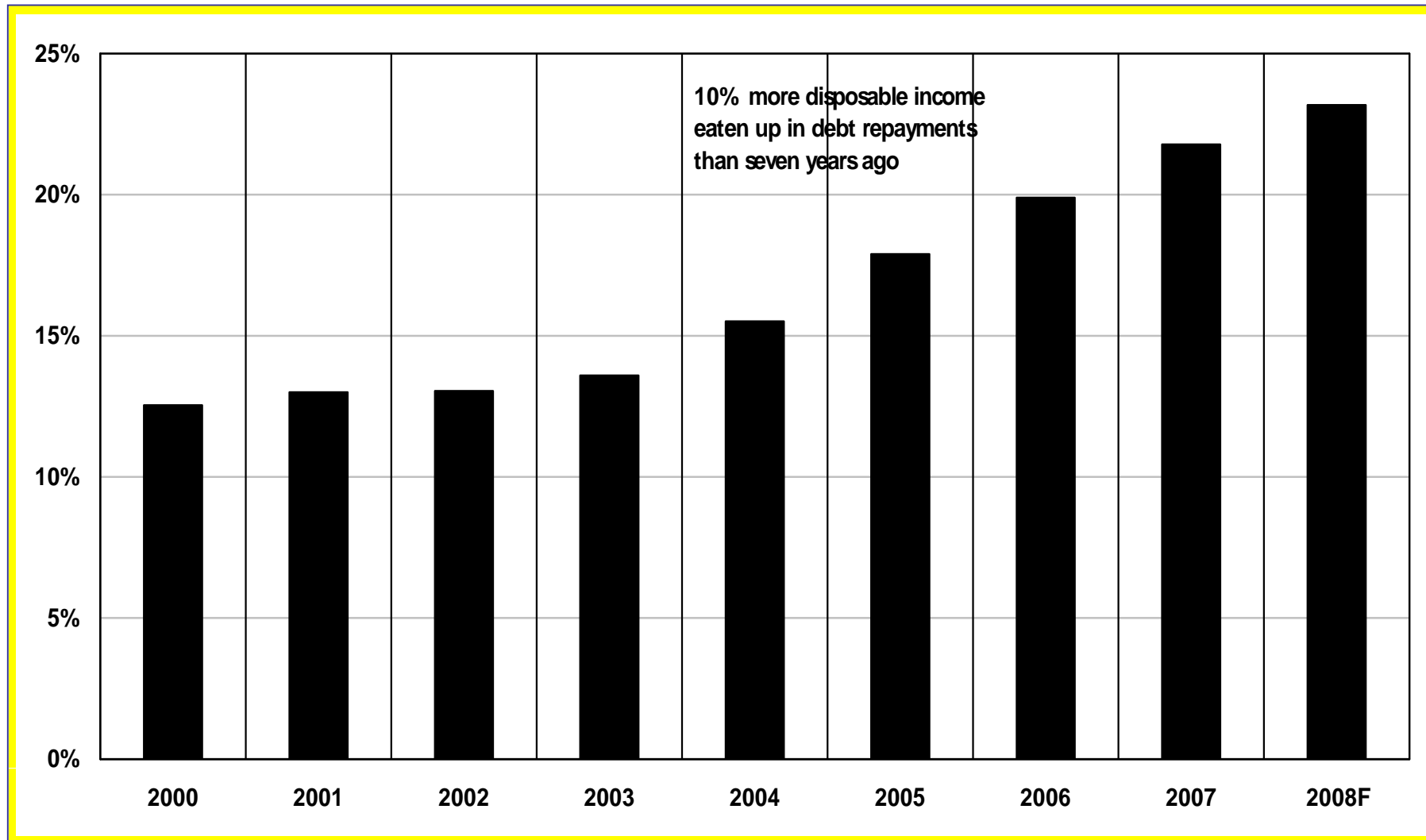
Fall in inflation...



CSO, CPI, March 2010

...but debt & mortgages

Personal sector debt repayments to income



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

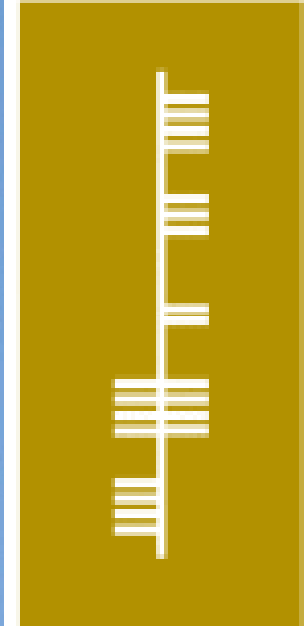
Potential explanations

- Insider access
- Catch-all government: weak commitment to equality issues
- Segmented electoral interests in a small welfare state



Political reform – this time?





IRCHSS

Mapping the Irish State

<http://www.ucd.ie/geary/>

