

# Ireland's Austerity Policy Only Makes Things Worse

by Nina Ogden

May 24—Through their many constitutional referenda on EU treaty changes, the Republic of Ireland has long been a battleground in the war between the European Union's supranational austerity policy and the effort by nations to defend their sovereign interests and living standards. This battle has heated up now, since, after public employees unions threatened to strike against a new round of draconian pay cuts, the coalition government, on orders from the "Troika" (IMF, EC, ECB) has threatened to pass legislation to cut the pay of any employee voting against their "negotiations."

In a recent tour of Ireland, I spoke to many leaders of this fight, briefing them on the LaRouche movement's effort in the United States and internationally to re-instate the Glass-Steagall Act and implement a Hamiltonian credit system. Among these leaders was Walter Cullen, the Regional Secretary of the Irish public sector trade union UNITE (see interview, below).

In 2008, the "Celtic Tiger" bubble burst. It had been the poster child of free trade globalization, touted by the Heritage Foundation as the "third most economically free country in the world." Fintan O'Toole, in his book on the crash, *Ship of Fools* (2009), said that "Ireland became the world's largest exporter of software and manufactured the world's supply of Viagra."

As the crisis was building during the Spring of 2008, the government called a referendum in support of the EU's Lisbon Treaty (June 13, 2008), which was rejected in large numbers by voters. UNITE, Ireland's second-largest union, with 60,000-plus members, played a big role in defeating the referendum.

But the ruling Fianna Fáil government panicked under EU pressure and called another referendum for October 2009, in which, because of scare tactics and fear of further economic collapse, Irish voters voted "Yes" to the superstate of Europe.

The government, after guaranteeing payments to the bankrupt banks, was pressed into signing a £67.5 billion bailout deal with the Troika in 2010. "The shame of it all," an *Irish Times* editorial wrote, "Having obtained our political independence from Britain to be masters of our own affairs, we have now surrendered our sovereignty to the European Commission, the Eu-

ropean Central Bank, and the IMF."

Fianna Fáil was thrown out of power in a 2011 "snap" election, suffering the worst defeat of any government in the history of the Irish state. The strange Fine Gael/Labour Party coalition was swept into power based on upon their opposition to the bailout deal. But those who predicted that this coalition would overthrow the deal were proven wrong, as the coalition proceeded with abject compliance with the murderous austerity demands of the Troika.

UNITE again played a major role in the campaign against the EU Fiscal Treaty referendum, known widely as the Austerity Treaty, in May 2012, when the coalition government again bullied a terrified population into a "Yes" vote.

UNITE Regional Secretary Jimmy Kelly addressed a large meeting, held shortly before that vote, saying: "The Treaty is only about austerity and does not have any provisions relating to growth. It has been rushed in as a panic measure. No less than ten Eurozone countries have now slipped back into recession. The problem with the treaty is that it enshrines the very policies that have caused that recession to get deeper and more damaging. Ireland has a chance to say 'No,' and to pull Europe back from the brink of economic self-harm it has been engaged in to disastrous effect over the past three years."

It is clear that the tide has begun to turn. The lessons of Spain, Portugal, Greece, and especially the Cyprus bail-in are obvious. The coalition is shattering, as government deputies in the Dáil (Irish Parliament) and European Parliament are breaking from their party affiliations over the budget and social policies implemented by the government.

The following interview reflects the current resistance.

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## Interview: Walter Cullen

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Cullen, the Republic of Ireland's Regional Secretary of the public-sector labor union UNITE, was interviewed by Nina Ogden of *EIR*, and Gene Douglas, editor of the LaRouche Irish Brigade website, in Dublin on May 1, 2013.

At the time of the interview, UNITE had just pulled out of the "Croke Park II" negotiations between the Irish government and the unions representing public employees. UNITE rejected the austerity measures being imposed on public sector workers.

Ogden began by describing the fight for Glass-Steagall. "Best of luck with that," said Cullen.

He went on to explain (quoting Paul Krugman), that those who are pushing austerity are not doing it because they have to, but because they want to. The attitude is, “never waste a good recession to roll back the gains of labor.” Some time ago, the public employee unions were pushed into the practice of “centralized” contract negotiation—that is, all the unions have to agree to a pay-and-benefits package at the same time. UNITE has opposed this practice, insisting that it is better for each union to negotiate on its own behalf.



Walter Cullen

The same minister who is negotiating with the public sector unions was also one of the architects of the bank bailout, Cullen pointed out. We looked at the Credit Institutions and Stabilization Act of 2010, and it showed that the debt was so large that it couldn't be paid in 20 years with austerity measures. Irish unemployment is probably over 20%, if you include emigration by those who could not find a job. The Irish Bank Resolution Corp (a merged entity of two nationalized failed banks), sold financial products based on mortgages. The government wasn't interested in actual negotiation; it made pay cuts unilaterally.

“The government said to the unions, come in and talk about taking EU1 billion off the total pay,” Cullen said. And they told us in advance, if we can't all agree to this after negotiating, we'll cut the EU1 billion anyway, unilaterally! “UNITE was the only union which said, we aren't giving up any pay.”

We *have* a solution, he stressed, but we haven't got the hearing to present it! An alliance of four unions pulled out of the talks. We and these other unions have set up meetings around the country, and we're telling people, we're not living with any of these cuts, because it's the wrong thing to do. When you cut pay, it leads to a loss of revenue, and this leads to the loss of funds for the public sector! To aid the economy, you need a stimulus which spends into the economy, and workers are the only people who can do that. IMF officials asserted, in retrospect, that

austerity is the wrong way to go.<sup>1</sup>

The negotiations are proceeding under threats! The existing protections, under the Croke Park I agreement, are being removed. The thinking in the government is, why waste a good recession? Use the opportunity to suppress the workers. And then if there is a recovery, we would have to begin all over again to achieve the rights we had won before, and then lost.

Look at the case of Wedgwood Manufacturing Company, Cullen continued. This company became insolvent, and the pensions also became insolvent. But there is an EU directive on pensions, which would protect those pensions to a degree. So we went to the European Court of Justice. There was a similar case before them brought by British workers who were employees of the same Wedgwood Manufacturing Company. While the Court was considering their case, the British government acted, and put in their own protections for the British workers. So then we initiated a suit against the Irish government. A decision by seven judges was 100% in our favor. But the Irish government had just let this case go on to completion, at great cost to the Irish taxpayers.

Ogden pointed out that UNITE's fight against austerity is “actually the same fight that is being taken up throughout the Eurozone, and if done in the right way, can give people hope.”

Cullen replied that in Ireland, the government is going even farther than the Troika is asking. The Troika says that the spending cuts must come from overall cuts, not just cuts to wages. But the Irish government wants to make all the cuts to wages alone. There is absolute inflexibility.

Gene Douglas commented, “Actually the stimulus spending in the U.S. and other places was just about bailing out the banks.”

Cullen agreed, noting that Iceland set a good example by telling the banks to get lost.

But in Ireland, the negotiations really are being conducted in bad faith. The result is being rigged, and the unions are being played against each other. If you put all the union ratification votes into one package agreement, then you can go easier on one union, to induce them to vote for an agreement that shifts the pay cuts to another union. Voting against the agreement would hurt them more, so they are overwhelmed and the agreement would pass.

1. See [EIR](#), Jan. 11, 2013.