



Foras Teamhrach (the Tara Foundation, founded 2004) is an association of family members, most of whom have an academic background. We highlight issues of heritage and resources, pointing out that the Irish constitution gives them protection and is thus under attack.

[Subscribe](#) | | tara-foundation.org

Blaming the Victim: Morgan Kelly on the Bank Bailout (8/11/10)

Morgan Kelly's despair-piece on the Irish economy ("If you thought the bank bailout was bad, wait until the mortgage defaults hit," *The Irish Times*, 8 November 2010), is more revealing in what in what it leaves unsaid, or at least takes for granted, than for what it says. For instance: "Until September, Ireland had the legal option of terminating the bank guarantee on the grounds that *three of the guaranteed banks had withheld material information about their solvency, in direct breach of the 1971 Central Bank Act* [emphasis added]." So, despite the apocalyptic hand-wringing on abundant display, this ex post facto revelation establishes two things.

Firstly, if true, the media silence on the issue indicates that terminating the bank guarantee is not a high priority for most commentators. Secondly, and more importantly, in concealing such vital information, the guaranteed banks had broken the law, rendering any notional deadline academic – the guarantee is legally null and void. Not one commentator, including Kelly, has addressed the question of why Ireland should be liable for debts, created in secret, suppressed from the authorities in their creation, whose accounting procedures were unknown, and whose full extent appears to be unknown to anyone.

Further, the fact that "the Government's open-ended commitment to cover the bank losses far exceeds the fiscal capacity of the Irish State" should give commentators pause – at least enough to pursue the rationale of such a guarantee beyond reflex assertions of Government incompetence. AIB and Bank of Ireland are now likely to cost the taxpayer "at least as much as Anglo", yet this fact has been concealed by the Government and the banks, just like the current figure for Anglo of €34 billion, which is not a figure based on evidence but "my realistic estimate [which is] the same as the Government's current estimate." The debt, in other words, is a moveable feast, which has to be paid even though it is apparently indefinable and evolving from moment to moment.

Similarly, regarding the ECB officials who have apparently "taken up residence" in the Department of Finance, the reader is given no hint of any legal entitlement they have to be there, or, for that matter, any discussion of whether the loans made by the international banks themselves, not to speak of their concealment by the Government in collaboration with the banks, were legal to begin with. The lack of any international context for the bailout and the

forced austerity measures enables Kelly on the one hand to concede that the national debt could be stabilised over four years to a sustainable level without the bank bailout, meaning that it is the bank bailout, not the national debt, that is the problem.

On the other hand, Kelly resorts to deploying the language of “we” and “us” to conceal responsibility for the policies that led to this situation, well knowing that the ECB and the Irish Government are engaged in a charade; if and when the extent of the debt is finally revealed, the EU can pretend that the Government concealed the information from them, and the Government that they, with only limited access to the figures, could not have known the extent of the problem.

The following deserves to be quoted in full as an illustration of the media mindset with regard to the crisis:

“[U]nlike the Greeks, we lacked the tact and common sense to keep our grubby dealing to ourselves. Europeans had to endure a decade of Irish politicians strutting around and telling them how they needed to emulate our crony capitalism if they wanted to be as rich as we are. As far as other Europeans are concerned, the Irish Government is aiming to add injury to insult by getting their taxpayers to help the “Richest Nation in Europe” continue to enjoy its lavish lifestyle.”

The tendentious “we” conceals the identities of the villains of the piece, intending the reader to infer national guilt, for which self-effacing shame at one’s inherent deficiency is the culturally programmed response. However, the task of identifying where the blame lies is much less of a metaphysical exercise. The fact that the EU actively supported and encouraged Ireland as an example to be emulated, and the fact that the media, with very few exceptions, fulsomely and repeatedly trumpeted Ireland’s fiscal policy as such, has somehow been effaced from the record. It is just possible that journalists are feeling some shame and regret that their judgement was so calamitously poor.

Take for instance Kelly’s assertion that:

“sorting out our bill with the ECB will define the second stage of the banking crisis. For now it is easier for the ECB to drip feed funding to the Irish State and banks rather than admit publicly that we are bankrupt, and trigger a crisis that could engulf other euro-zone states.”

However, he does not draw the obvious conclusion that the ECB must know the extent of the problem, and is acting to conceal it.

However, a more cynical explanation suggests itself. Regardless of Kelly’s plague-on-both-your-houses rhetoric (“[t]he stark lesson of the last 30 years is that, while Fianna Fáil’s record of economic management has been decidedly mixed, that of the various Fine Gael coalitions has

been uniformly dismal”), the policies which created this situation, and which continue to exacerbate it, *could not have succeeded* had the media, commentators, economists and other self-appointed experts decided to act as anything other than enthusiastic PR agents.

The fact is that the present situation is the logical outcome of policies that have been enthusiastically embraced, defended and cheer-led by those who should have known better, and to pretend that a small coterie of politicians and developers somehow did it all by themselves is implausible, to say the least. However, such a contention is useful for furthering the very process of disintegration that is being advocated. Says Kelly:

“Ireland faced a painful choice between imposing a resolution on banks that were too big to save or becoming insolvent, and, for whatever reason, chose the latter. Sovereign nations get to make policy choices, and we are no longer a sovereign nation in any meaningful sense of that term”,

again omitting to recall who advocated and defended this choice tooth and nail and disparaged alternative proposals. Well, Ireland is a sovereign nation, regardless of whether Kelly wants it to be, and the measures being implemented to undermine it have no basis in law. However, Ireland chooses not to behave like one, with the Government actively collaborating with the European banks to ensure their practices remain uninvestigated, and ensuring that practices which make nonsense of the law become economic policy. Stating that “we” are responsible for the debt is erroneous: “we” did not incur the debt, and “we” are continually being lied to about what exactly that debt consists of.

That is fraud, and the absence of evidence for the actual liabilities and their nature indicates not economic illiteracy or incompetence, but collaboration, to ensure that the fraud engaged in by European banks, in conjunction with their collaborators in Ireland, goes not only unpunished but uninvestigated. The strategy with regard to Ireland recalls that applied by the IMF in Argentina: Ireland is to be made an example of in order to forestall the terrible scenario of a mass default, which could very well sink the French and German banks.

It is worth keeping in mind that, according to the IMF, *in spite of high bond rates*, Ireland is borrowing less than the USA, France, Italy, Greece, Japan, Belgium, or Portugal. One reason bond rates are so high is that the markets, along with commentators within Ireland, do not believe Ireland’s “four-year plan” can be delivered. The planned 2011 budgetary austerity measures are not concerned with the gap between taxes and borrowing, but with the Stability and Growth Pact, to which Germany is insisting that all EU members adhere despite the economic crisis. The EU is trying to stabilise the euro, and Ireland is required to be Europe’s self-sacrificing model pupil in the name of this exercise.

<http://www.dw-world.de/dw/article/0,,4771665,00.html>