

GENE KERRIGAN

THE BIG LIE

**WHO PROFITS FROM
IRELAND'S AUSTERITY**



About the Book

Ireland's economic collapse hit with bewildering speed and cut deep into our lives. At a time when we most needed leadership, our politicians let us down.

They stood by the bankers.

They told us we were to blame for the crash and that we just needed to suffer a little pain to make everything right again. It was a Big Lie.

This book offers an alternative view.

It's about the great majority of us who weren't gambling with our future. It's about what's being done to us, who is doing it and why. It's also about who benefits from the austerity policies, who gets it in the neck, and what we might do about that.

The elites wrap the green flag around themselves, they call for sacrifice and patriotism – and they hold on fiercely to every perk and privilege.

To answer the Big Lie, it's time for a little truth.

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THE BIG LIE

Who Profits from Ireland's Austerity?

Gene Kerrigan

Arrive it will, the time, O Breanuin, when you would
grieve to dwell in Ireland ... The powerful will oppose
the poor with false law and perverted judgements;
lying will overflow the country ... and the aged will
mourn the times they shall have lived to see.

- St Colmcille, AD521-97

This'll sound controversial, but ... I think rich people
might be lying to us about how good the free market
and privatization are.

- @chris_coltrane, 6 March, AD2012

For Cathleen Kerrigan, with an apology from my
generation, to your generation, for letting those fools do
what they did

What This Book is About

THIS ECONOMIC COLLAPSE hit us with bewildering speed and cut deep into our lives. And it's been obvious from the beginning that our leaders have been telling us fairy tales. The fairy tale changes as the crisis deepens. At first it was all about getting credit flowing, then it was all about balancing the books, then it was all about confidence. Eventually it became all about how smart it was to do whatever the grim lads from the European Central Bank in Frankfurt tell us to do.

We seek leadership from our politicians – but one crowd condemns the other shower; then they get into office and do precisely what the other shower was doing.

The official cover story is in shreds.

This book tries to figure out what's really going on. It isn't an exhaustive history of the crisis, it isn't about how we might save the banks, or how we might save the euro, or how we might leave the euro. It's not about how we might write a better budget or how we might get the deficit down to less than 3 per cent.

It's an alternative view of the crisis.

It's about the great majority of us who weren't playing the gambling games that created the mess. It's about what's being done to us, who is doing it and why. It suggests that some are benefiting from the austerity policies, while the rest of us lose.

It doesn't seek to recruit anyone to a programme of action; it describes how I think things work, where this crisis came from and perhaps where it's going.

Part One, *How the Old Politics Brought the Country to Its Knees*, gives an alternative view of how and why the crash happened, and the national and global politics that created the mess.

Part Two, *The Slow Death of the Old Politics*, deals with the repeated failures of the old politics to put Humpty Dumpty together again – and the role of austerity in turning a crisis into a catastrophe. It examines the failure of the rest of us to prise the cold, dead fingers of the bankers from our economic throats.

The book is not about economics. But economics is an important means of measuring one aspect of a political circumstance. And, these days, economics is too important to be left to the economists. Just as politics is too important to be left to the politicians.

So, the book embraces economic data gathered by the experts, but it draws a layperson's conclusions from that data – with a layperson's assumptions and preconceptions. I, of course, am wildly under-qualified for dabbling in economics. But given the record of the economists, I'm not bothered about that.

One crucial tool for understanding any crisis is to recognize that we don't all have the same problems. If you're on €20,000 a year, another government charge on top of the charges they've already heaped on to us can affect your living standards. Even those earning two or three times that will feel the effect.

If, on the other hand, your salary is €200,000 and you get a €40,000 bonus on top of that, all those charges are loose change.

People with huge salaries and pensions, people with property and share portfolios, government ministers and financial consultants all have problems of their own – and

good luck to them. But the rest of us need to be aware of those people who are solving their problems by creating new problems for the rest of us.

We are not all in this together.

Much of what is told to us by politicians, bankers and their highly paid experts is self-evidently untrue. In order to persuade us to go along with one policy or another, they spoof, in meaningless phrases designed by their spin doctors: *We must stay at the heart of Europe; I've got a five-point plan; We've turned the corner; We all partied; Frankfurt's way; Not another cent for the banks; There is no alternative; The only game in town; Mustn't play the blame game; We're meeting our targets; We are where we are ...*

And their pet experts and cheerleaders nod wisely.

The book's point of departure is that, at every stage of the crisis, we've been subjected to the Big Lie technique. The principle of the Big Lie was laid down by the Nazi propagandist Joseph Goebbels: 'When one lies, one should lie big, and stick to it.'

The Big Lie stands the truth on its head. It must be delivered with conviction, it must be repeated relentlessly and backed up by a range of nodding accomplices in the establishment.

People question small lies, because they can measure that kind of lie against their own experience. The Big Lie is so overwhelming, and it's so loudly endorsed – and believed – by such a range of eminent people that it's often swallowed whole.

To understand the foolish policies that dominate our lives, we have to explore their roots – globally and within Ireland. So, we examine how the Dáil and the media became full of mindless free-market extremists and their cheerleaders. And how the country became laden down with under-regulated bankers. And how, after the crash, the same thought-free culture led to the destructive austerity

policies that crushed living standards for many and deepened the crisis.

When they were creating the insane conditions that led to the crash, they shared a view of the world – the politicians, the property speculators, the bankers, their consultants, their economists and their media cheerleaders. They still shared that view of the world after the crash. They share it still, despite the mess they've made since the collapse in 2008.

This view of the world led them to seek to restore things exactly as they were – with all the inequalities, the madness and the cruelties in place. It's the world they know, the world they believe works best. And – perhaps this is not a coincidence – it's the world that personally benefits them enormously.

From that view of the world, it made sense to transfer the bankers' gambling debts on to the backs of the rest of us – and to impose austerity policies to balance the books.

We examine what that world view is and where it came from. And where it's taking us.

As the recession bit hard, more people began to question the dominance of the austerity cult. In the final section of the book, under the title 'Voices', we include some of that questioning – writings and speeches by two poets, a teacher and the Ballyhea marchers.

A whole range of respectable people tell us there is no alternative to their austerity policies. And that the Big Lie, in their view, is a form of truth. Because a world in which they and their fellow travellers aren't grossly rewarded for their imagined talents is beyond their understanding. These people don't just tell a Big Lie, they live it.

There was a Big Lie behind the notion that ploughing billions into the shell of the banking system would 'get credit moving'. And another Big Lie behind the claim that the private debts of Irish, French and German bankers are 'our debts'.

The result: pain for those least able to bear it and a massive burden of debt lifted from the backs of the bankers and their patrons – and piled on to the backs of the citizens.

In crucial decisions, the elites are treating democracy as an optional extra. The affairs of this country are increasingly overseen not by elected politicians but by unelected officials in Frankfurt, Brussels and Washington. The hard-fought gains of social democracy, won by generations of ordinary people, are being pared away.

Far from making things better, the foolishness of the years since the collapse in 2008 has plunged the Eurozone into chaos and put the future of the European Union on the agenda.

Most of the public discussion of this crisis has been conducted over our heads, between elites – in jargon that sounds like economic theory. In truth, it's the nervous chatter of the cheerleaders of wealth.

They wrap the green flag around themselves, calling for sacrifice and patriotism, while they hold on fiercely to every perk and privilege.

They would rather sink the ship than compromise on their first-class quarters.

This book aims to answer the Big Lie with an array of small truths.

Part One

How the Old Politics Brought the Country
to Its Knees

1

The Fairy Tale

BY NOW, THEY can recite the fairy tale in their sleep.

Politicians, their media fans, tame economists and hired mouthpieces use the fairy tale to explain what happened. Like all stories, the details can be changed from time to time, but the basic fairy tale about the Celtic Bubble, the crash and the recession is pretty consistent.

And it goes like this.

Once upon a time, the Irish people threw off the shackles of the past that held us back. We began to work hard, to innovate, to find within us the talents we always had but which had been suppressed or neglected for too long. In the bad old days, you see, the Brits held us back, or perhaps the Catholic Church stifled our innate talents.

Whatever it was, once we threw off the yoke of oppression we became 'a nation of entrepreneurs'.

We began 'punching above our weight'.

We loved saying that.

'Punching above our weight'.

Those four words explained so much. We were still a small country, with the intimacy and the charm of small countries, yet we were up there with the big guys.

Punching above our weight.

The economics that underlay all this remained hazy. There was no shortage of economists who felt free to

expound on the roots of the miracle, but never convincingly. And they were usually working for banks or estate agents. When it came to explaining how a basket-case economy was suddenly being touted as an example for the rest of the world – well, there were a lot of gaps in the story. And an element of fairy dust.

Anyone suggesting that this might be a problem was a begrudger. And we all knew what to do with begrudgers.

Now, when a company bought or built a new building it wasn't just accommodation they wanted, they wanted to make a statement. It had to be state of the art, it had to be world class. Money was no problem; it was cheap to borrow. And people heading world-class companies needed rock-star salaries and bonuses.

Our rampant entrepreneurs bought a rake of prestigious London properties. For some, it was the ultimate victory – the peasants taking over the Big House. We discussed such triumphs ('Hey! Johnny's gone and bought Battersea power station!') with the same pride we displayed when Seamus Heaney won the Nobel Prize or Roddy Doyle the Booker.

And when anyone looked around at the Ireland we all knew still existed – with the lengthy hospital waiting lists, the Accident and Emergency chaos, the prefab classrooms, the ghettos and the potholes – well, that just meant we needed to 'reform' some outmoded ways of doing things. And we'd get around to that in the by-and-by.

People might now and then become angry about something – maybe an A&E unit where the nurses were run off their feet and a relative had to wait twelve hours to be seen. Or another relative had an important operation postponed three times, in a hospital where the Department of Health never got around to replacing the beds they closed in the 1980s and 1990s.

But, hey, take a chill pill. Within the Celtic Bubble you could find any number of places in which to relax, while a cheerful barista offered you one of four sizes of eight

versions of beverages our parents never dreamed of sipping, poor buggers.

Of course there were faults, the fairy tale admitted, but only losers dwell on the negatives. There was a lot done, and some more to do.

Then, according to the fairy tale, even as our courageous entrepreneurs climbed new heights, our new kick-ass nation was being undermined from within. They caricature this as: careless bankers lost the run of themselves; the regulators took their eye off the ball; and the politicians never noticed.

Even then, everything might have been all right if it wasn't for the bloody Americans.

The fairy tale explains how the Yankee bankers sold a lot of mortgages to poor people, who couldn't pay them, so their banks got into trouble. Then the George W. Bush government made a big mistake. When Lehman Brothers was going bust, Bush should have propped it up, say the people who know things. Instead, George W. and his people decided to let it go under, which caused no end of bother.

Credit froze right throughout the global banking system, at a time when the Irish housing market was slowing down and the grey, dreary waves of recession were lapping at our shores.

Oh, dear. Perfect storm.

Brian Cowen and Brian Lenihan were overwhelmed by it all, the fairy tale says, and they only had a few hours to make a decision – and they made the mistake of guaranteeing every cent the bankers borrowed from their fellow bankers abroad.

Most of all, the state had gone deep into debt, spending far too much. Now, we couldn't pay our bills, the cost of borrowing went through the roof and – the shame of it – we had to be rescued by the IMF and our friends in Europe.

This involved some harsh measures, some tough decisions, but that's what happens when a country loses

sovereignty.

And we're all in this together.

Tough as it is, the only thing we can do is knuckle down, take our punishment. We'd had the fun, now it was time to pay the bill.

Fianna Fáil paid the price of its failure, the new government came into office – but their hands were tied.

There was a 'big hole' in the public finances, and the only way we could fill it was by kowtowing to the European Central Bank – and the ECB said that a lengthy blast of austerity would straighten things out.

No choice, you see.

But, if we all pull together and do our penance for our sins, we will eventually achieve a state of grace.

The fairy tale said it was just a matter of simple arithmetic. The amount of money collected in taxes was X. And it cost X plus Y to run the country. So, we had to borrow the Y.

But why are we paying billions to the bondholders and

...

Ah, that's about confidence.

We have to generate confidence in our ability to pay back the money we will borrow in the future. And we do that by paying bondholders for the money we borrowed in the past.

But we didn't borrow it.

No, but they were Irish banks that borrowed it and – look, sure didn't Cowen and Lenihan think up that unfortunate guarantee ...

But we've been paying billions in unguaranteed bonds and ...

Look, this is complicated stuff.

Trust us. We know what we're doing.

Besides, our friends in the EU are giving us all sorts of concessions: money at cheap rates, the use of promissory notes – they can't do enough for us, God bless them.

And the thing that matters more than anything else is that - if we do as we're told - we'll eventually get our sovereignty back. We'll wave goodbye to the ECB and the IMF. We'll be free again!

The great thing about the fairy tale is that it uses bits and pieces from real life to prop up the fantasies that are woven through it. Fantasies and downright lies.

When we tell fairy tales to children they work because the children want to believe in dragons and princesses, in villains and heroes and magic; they want to see the world as black and white, easy to understand, with evil punished and good rewarded.

For the same reason, we want this infernal economic catastrophe to make sense. And when people in authority hold up a map that shows where we are and how we can escape from Oz and get back to Kansas, it's tempting to believe their fairy tale.

After all, they want what we want, don't they? Freedom, a return to prosperity.

Trouble is, they've been telling us fairy tales for almost five years now, and with each telling the story becomes more threadbare.

We took them seriously, the fairy tales, and the tired old political has-beens who told them. We wasted time, giving each changing tale a fair hearing. We allowed things to get much worse - to the point where the country is far more broken than it was in 2008.

The time for comforting fairy tales is long past.

We are where we are.

How did we get to where we are?

And where is the tired, old, failed politics trying to take us?

2

Playing with Tiger

THE AUCTIONEER SAID that the bidding would start at £100,000. It was a hell of a lot to ask for a single game of golf. But this was no ordinary game of golf, this was no ordinary charity auction, and these were no ordinary people being asked to bid.

Someone obligingly kicked off: 'One hundred thousand.'

The charity auction was held in County Limerick, and the game would be played at the Isleworth Country Club, Orlando, Florida. The successful bidder would get to play with the man then acclaimed as the greatest golfer in the world, 24-year-old Tiger Woods. Woods would team up with his friend and fellow pro Mark O'Meara. The successful bidder could bring three friends. A six-ball, over eighteen holes.

Soon there was a second bid: 'Two hundred thousand.'

And another.

Auctioneer Philip Myerscough, a veteran of Goff's bloodstock sales, didn't blink.

'Bid four hundred thousand pounds.'

It was the evening of Tuesday, 11 July 2000. That year was the borderline between the Celtic Tiger boom and what was to follow. There had been several years of economic growth, a big increase in employment – and a surge in confidence. What would happen in the years ahead

would lead to frenzied money-grabbing, followed by dramatic collapse and a country loaded with crushing debt.

But that evening was a splendid indulgence by some of the richest and most powerful figures from the wealthiest, most self-confident Irish generation ever. Word got out in bits and pieces, of course – and it is from such evidence that we can stitch together an account of that evening. But this wasn't an occasion of vulgar boasting, it wasn't designed for PR purposes to impress the rest of us. This was a private gathering of an elite, financial and political, in a time of triumph, to raise a lot of money for good causes. It could also be seen as a celebration of wealth.

The auction was the climax of a two-day event, the third J.P. McManus Pro-Am Invitational Golf Tournament. It was held at the end of a banquet in a marquee tent in the grounds of Adare Manor. Millions would be raised for charity that evening.

The host for the Grand Banquet, and sponsor of the two-day charity event, was John Patrick McManus. Although a resident of Geneva, he was born in Limerick, retained a real affection for the area and maintained a mansion on 400 acres there.

It was all here, the seeds of Ireland's future: the rich men, the politicians, the celebrities. What the rest of us saw, perhaps, was a celebration of money, of absolute self-assurance – the politics, the economics and the culture of Celtic Tiger Ireland coming into its own. The previous seven or eight years had seen terrific growth – in money, in confidence. The next eight years would see an explosion of money.

You could measure the progress of Celtic Tiger Ireland in J.P.'s golf tournaments and charity auctions. The first Pro-Am sponsored by McManus took place back in 1990, when J.P. was merely rich. It was a modest affair, with players from Ireland and Europe. It raised £2.1 million for

charity. So successful was the tournament, McManus went on to host one every five years.

By 1995, J.P. was very rich, and his business interests and personal connections had spread. Three golfers from the US PGA circuit attended. The event raised almost £4 million. Let one of those present, pop singer Chris de Burgh, set the scene for that 1995 J.P. McManus Pro-Am Golf Tournament and Charity Banquet:

‘I went to an event in Limerick, run by a guy called J.P. McManus. He has had two big golf classics, and these are totally remarkable because this is a man, a very wealthy man, who started life as a bookmaker and then got involved with all sorts of other business deals – but he’s also extremely supportive of charity ... Anyway, he had a two-day golf classic, in which I played with Christy O’Connor Jnr and various friends, including Robert Sangster and Charles Benson, a friend of his.’

By now, J.P. and his friends were held in great esteem in political circles. Here’s Chris again. ‘At the gala dinner, they had politicians falling out of your ears. There was the Prime Minister, the ex-Prime Minister, the Opposition Leader and many, many famous people.’

There was an auction at that year’s banquet, too. One of the items on offer was an illustration, featuring caricatures of the Pro-Am’s leading players. It was bought by Michael Tabor, for half a million pounds.

Originally from London, now living in Monaco, Tabor was – like his great friend J.P. McManus – a former bookie. And Tabor owned a horse called Thunder Gulch, which had recently won the Kentucky Derby. Two months earlier, McManus had asked de Burgh, as a special favour, to write and record a song called ‘The Ballad of Thunder Gulch’, celebrating the horse’s win.

And that evening in 1995, when the charity auction ended, Chris de Burgh took the stage and sang the song he had written to commemorate Thunder Gulch’s win. Michael

Tabor was – de Burgh said later – ‘very emotional indeed’. J.P. McManus presented Tabor with a professionally produced recording of Chris and a band performing the song.

This unexpected gift for Tabor was typical of the amount of detail that McManus put into his tournaments. There was nothing that Tabor wanted that he could not afford, but for McManus to commission a famous pop singer to write a song about one of the highlights of Tabor’s life was to demonstrate an impressive amount of thought and friendship. It was this kind of consideration that sent people away from the Pro-Am singing McManus’s praises, resolving to come back next time, spreading the word among their peers in wealth.

Five years later, advance comment on the 2000 Pro-Am suggested it might top the £4 million raised in 1995 by at least half a million pounds. By now, the J.P. McManus tournament was a significant event on the golf calendar. That year, thirty-six top golfers, including Tiger Woods, turned up.

‘Six hundred thousand.’

Peter Myerscough accepted the bid.

So star-studded was the list of players that it provided an irresistible temptation for wealthy amateur golfers to hang out with the greats of the game (‘Listen, I’d love to do lunch, but I’m hitting the fairway that afternoon, Tiger Woods is in town for a few days’).

Not everyone on the advance list of players prepared by the organizers could make it, but the list promised many of the leading business people of the day: Denis Brosnan (his wealth raised in the food business), Gary McCann (bananas), Michael Smurfit (cardboard) and John Magnier (horse semen). And there were bankers present, as well as financier Dermot Desmond. There were sporting people galore, many from horse racing, along with UK Premiership stars such as Alex Ferguson, Martin O’Neill and Gary

Lineker. Over the years, showbusiness personalities from Brendan Grace to Hugh Grant turned up to swing a club, as well as such business stars as Denis O'Brien. About seven hundred people attended the 2000 banquet and auction – including many of the business people and politicians who would feature in the events of the next stage of the Celtic Tiger phenomenon.

A nod, a gesture, another bid for the game with Tiger Woods.

'Bid eight hundred thousand pounds.'

Mark O'Meara was on the stage, near the auctioneer. 'At that price,' he wisecracked, 'we'll throw in a free lesson!'

Another gesture from someone in the audience.

'Bid one million pounds!'

Stunned, O'Meara quipped: 'And we'll throw in a free lunch as well!'

Two more top-up bids of £200,000 each closed the bidding, and the eighteen-hole game with Tiger Woods and Mark O'Meara was knocked down for £1.4 million.

Just over two months earlier, on 1 May, wealthy Americans had bid in another charity auction, with the same prize – eighteen holes with Tiger Woods at Isleworth. The successful team of four bid \$204,000.

This time, the prize went to Joe Lewis, a friend of Dermot Desmond and, like his friend J.P. McManus, an extremely wealthy currency trader. Lewis began life in London and now lived in Bermuda. Though he wasn't Irish, his life and wealth were interwoven with a set of Irish-born people. He and they moved seamlessly across national borders, defined not so much by their passports as by their wealth.

That golf game wasn't the only prize the rich jostled to buy that evening. A Jack Yeats painting, *The Cataract*, went for £1 million; a couple of tickets for Wimbledon, £80,000. A specially commissioned piece of Tipperary Crystal, signed by golfers and businessmen, went for £1.4 million; a flag

from the 2000 US Open at Pebble Beach, signed by Tiger Woods, £1 million. Woods, who won the tournament (twelve under par), was reported to have donated his prize to the charity fund.

The tournament and the auction that evening raised £19.8 million for charity – a giant leap from the £4 million raised in 1995. Five years later, in 2005, at the height of the Celtic Tiger bubble, the event would raise €31 million.

The gathering of the rich golfers can be seen as a victory party to celebrate the coming of age of Entrepreneurial Ireland. And just as the event could call on golf stars, so it could rely on the attendance of the political classes, including Taoiseach Bertie Ahern.

Propelled by a sudden surge in wealth, Ireland was well on the road to absorbing new values, and the great banquet of the New Gentry was a significant landmark on that road. Given the terrible things that had been done to Irish people in the name of traditional values, the notion of a New Ireland, with new values, was not necessarily a bad thing.

But there's an old saying about frying pans and fires.

The values that had come to dominate this new Ireland weren't sucked from anyone's thumb. They emerged from the events of previous decades – here and internationally.

3

The Politics behind the Celtic Bubble

IT WAS ALL Bertie Ahern's fault. And Brian Cowen's, too. And Sean FitzPatrick, of course.

In any disaster, it's tempting to blame one or two people, with a few walk-on parts for lesser characters. And there's usually a nugget of truth in such stories. Ahern was a chancer and Cowen a bluffer. And Sean FitzPatrick? Well, he ran Anglo Irish Bank ...

But nothing is that simple. The crash – and the austerity that followed – happened in the international context of a decades-long struggle between two wings of capitalism. Although the crash had its own Irish tint, it was part of a global catastrophe that had been building for three decades. The policies that led to the Celtic Tiger were similar to policies that thrived across the globe.

And the policies that have been inflicted on us since the economy collapsed emerged from the same womb as the policies that caused the crash.

Economists are still arguing about what caused the Great Depression of the 1930s. Eighty years from now, there will still be conflicting views on the 2008 collapse. The major political parties have broadly agreed on a cover story to explain why and how the current crisis overwhelmed them. In this chapter, using broad strokes, we'll paint an alternative view.