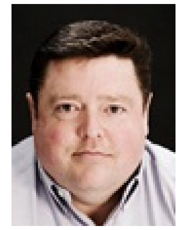
# Ireland needs the legal guarantee of access to cash and credit that the Fiscal Compact Treaty will deliver.

May 26 2012



*Which stance should Ireland take on the European Union's Fiscal Compact? In the lead up to Ireland's referendum on the Compact,* **Ben Tonra** *argues that the country needs to support the treaty. However, he believes its prescription, austerity, is of dubious economic value, and that Angela Merkel must allow for growth policies as well as a plan for a fiscal union unless she wants to become the European Union's Herbert Hoover.*

In my mind, there is only one reason to vote for the "Treaty on Stability, Coordination and Governance in the Economic and Monetary Union" and that is: cold, hard cash.

What the treaty does is of dubious economic value while how it does it appears to be redundant. At best, one might make an argument that it offers a 'belt and braces' approach to fiscal discipline, but this is a discipline that threatens to deepen rather than alleviate steep falls in domestic demand. It is also a discipline designed for the needs of politics over those of economics.

Most critically, however, the treaty achieves less than a third of what is actually necessary. The other two legs to the recovery are missing: growth and the fiscal union. The growth/stimulus agenda may now be under construction. My fear is that it will be limited and designed for the political optics of an incoming French President rather than as a serious stimulus package. The third leg to the recovery is not even under serious consideration: creating a true fiscal union to support a single currency. Only this can ensure that private bank debts are not dumped on the broken shoulders of citizens and a new role for the ECB is central to that project. On this the German government – and most of Germany's opinion leaders – appear utterly intransigent. In my mind's eye it is Angela Merkel playing a wonderful Herbert Hoover in drag.

And of course that is the rub as far as the treaty is concerned. Its function and purpose is almost wholly political: it is to satisfy the (not unreasonable) demands of Euro zone creditor countries that they are not throwing their hard-earned cash down the rat hole of Irish, Spanish, Portuguese, Greek, French and Italian profligacy. Again: That is a resolutely fair demand but one which – without the other two aforementioned elements – risks plunging the entire monetary union into further crisis.

Based on the above, how can one even contemplate a 'yes' vote? It is out of pure national selfishness. We have a 16 billion annual funding gap to fill just to keep the lights on. I would not bet my son's pocket money on the likelihood that we will emerge from the current Troika programme and launch ourselves proudly into international money markets in 2013. In such a situation, we must have access – as of right – to guaranteed funding out of the European Stability Mechanism. Nothing else will do: certainly not the kindness of strangers nor the prospect of the imminent popular overthrow of international capitalism. We need the legal guarantee of access to cash and credit that only this treaty will deliver.

Selfishly too, we are told that we will not be subject to the strictures of the poorly defined treaty provisions on debt and 'balanced' budgets until 2018 at the earliest. Time enough for Europe to sort itself out?

It's a 'yes', but a bitterly delivered 'yes'.

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*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

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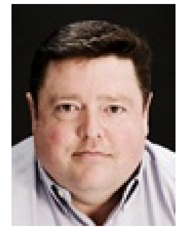

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