

# A Yes vote for the Fiscal Treaty was the cheaper and safer option for Ireland.

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*Last week, Ireland voted 'Yes' to the European Fiscal Stability Treaty, despite some predictions that the country would vote No. [Michael Courtney](#) argues that Irish voters knew that voting Yes was the only way to secure future bailouts, should they be needed. A No vote was simply too risky.*



There are some intriguing aspects to Ireland's referendum on the European Fiscal Stability Treaty. There is immense anger among the electorate towards the Irish government and decision-makers at the European level. There were a high number of undecided voters in the polls preceding voting day and there was low voter turnout of about 50 per cent. 'Second-order' theories of voting, and past experience, would lead to the prediction that Ireland was highly likely to vote against the Treaty. But this was not the case. Why was a referendum necessary at all? And why, contrary to recent experience, did Ireland vote in favour of an EU treaty without having to be asked twice? The short answer is that this EU referendum was a 'first-order' poll.

Ever since a man named Raymond Crotty brought a legal challenge in the Irish Supreme Court in 1987 against the government's decision to ratify the Single European Act through the Dáil without reference to the electorate in a referendum, a deliberative poll has been necessary for every major alteration to Ireland's relationship to the European Union. This is on the basis that any transfer of sovereignty from the Irish government to an external body must be directly sanctioned by the Irish electorate. This provision has frustrated European leaders who had to wait an additional year and through second referendums before the Nice and Lisbon treaties could become law, and in case of the latter at a time when every other country in the union has resolved to ratify EU treaties simply by an act of parliament.

In terms of the substantive measures, the Fiscal Stability Treaty

was little different from the provisions of the Stability and Growth pact which was implemented under the Maastricht criteria. So why was a referendum necessary at all if it did not involve a significant transfer of sovereignty? The answer is that the UK and the Czech Republic vetoed the Treaty at the European Council level thus formally placing the Treaty outside of the European Union structures. Ireland was transferring sovereignty on fiscal rules to an inter-governmental body (the 25 remaining Treaty participants in the council), albeit the same sovereignty that has already been transferred the European Union, and a referendum process was initiated. This also neutralised Ireland's 'veto' similar to the Lisbon and Nice treaties, as unanimity was not required the other 24 states can move ahead with implementation without Ireland, as they are with the UK and the Czech Republic.

The problem with European referendums in Ireland and elsewhere, such as the Dutch and French referendums on the Constitutional Treaty in 2005 is that they are typically 'second-order' polls. Voters use the opportunity to vote, not to indicate their preference on the substantive measures on the ballot be they a European referendum or a local council election, but to send a message to their national government that they are unhappy with their performance. Or voters end up voting on issues that were not part of the treaty. Misinformation campaigns such as those suggesting the Lisbon treaty would threaten Ireland's legal position on abortion, corporate taxation or military neutrality led voters to reject it on false premises in 2008.

The dark clouds of second-order voting were on the horizon from the outset of this referendum campaign. The Irish government is in the process of introducing property and water charges, which has caused much anger particularly at the Labour party, the junior coalition partner and Phil Hogan, the Fine Gael minister charged with implementing them. There is also the perception that Germany is insisting on repayment of the entire Irish banking debt to protect the solvency of German banks.

Some advocates on the 'No' side, such as businessman Declan Ganley were urging people to vote 'No' in order to get a better deal on the bank debt. Thus the perception was that the blame and the burden of the crisis are being unfairly shouldered by Ireland. From the outset any educated guess would be that the Irish would vote 'No' initially and probably re-run the referendum later in the year subsequently voting 'Yes'. The clouds did not produce a storm. The referendum result returned a clear vote in favour of ratification. The simplest explanation for the *prima facie* separation of theory and practice is that the conditions of 'second-order' voting did not apply.

Does this mean that Irish voters were clearly focused on and were in favour of the 3% deficit and 0.5% structural deficit rules, rather than their anger at property charges and Angela Merkel? This is unlikely. There was little engagement with the substantive measures of the treaty during the campaign, bar one. The preamble to the Treaty states that access to the EU's new bailout fund, the European Stability Mechanism, will be conditional on ratification of the Treaty. This provision tipped the referendum from a 'second-order' to a 'first-order' election. The framers of the Treaty linked ratification with voters' pockets and the game changed.

Under Ireland's current bailout programme the state is funded until the end of 2013. At that time the decision will have to be taken whether to return the bond markets and raise funding for the state in the usual way, or apply to the EU and IMF for a second bailout programme. If Ireland can raise money at reasonable interest rates (below 7%) on the bond markets, it will not need a second bailout.

This is how the vote became 'first-order'. If Ireland voted 'No', the markets might have been jittery about Ireland's ability to fund itself, since it would then have been locked out ESM funding, and interest rates on new debt would have been extremely high. If Ireland has access to the ESM, the markets will know there is 'Plan



B', will lower the interest rate on Irish bonds and the country can return to them for funding and paradoxically not need a second bailout. A 'Yes' vote was the safer and cheaper option for the state and the Irish voted accordingly.

Also contrary to previous experience, low voter turnout favoured the 'Yes' side. This is because many 'No' and undecided- leaning-No voters felt that there was little point in turning out. If a 'No' prevailed Ireland would be asked to vote again until eventually delivering a 'Yes'. So apathy prevailed over anger on the 'No' side to dampen turnout, giving the 'Yes' side a clear run. This raises the question of whether it may be time to reconsider the Crotty judgment and allow Irish governments to ratify European treaties simply by an act of parliament.

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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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### **About the author**

Michael Courtney is a Government of Ireland Phd candidate in the Department of Political Science, Trinity College Dublin. His research examines the impact of Irish MPs' social backgrounds on their political attitudes. He holds a degree in Economics, Politics and Law from Dublin City University.



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