Sean Ó Riain 2014: *The Rise and Fall of Ireland's Celtic Tiger: Liberalism, Boom and Bust,* Cambridge: Cambridge University Press

Reviewed by Joe Larragy for *Working for Change: Irish Community Work Journal* May 2014

It is now six years since the fateful decision by an Irish Cabinet in September 2008 to provide a blanket guarantee for the Irish banking system, to insulate depositors and bond-holders, and to take on the loan books of the lending institutions – a consequence of the collapse of a speculative ‘property development’ bubble. This was a key moment in the outbreak in Ireland of the 'Great Recession' that has gripped the global economy and has as yet not run its course. It has, in Ireland, reversed economic growth, seriously reduced employment, spawned a new wave of youth emigration and caught many in the snares of negative equity, redundancy or pay cuts. It has also wreaked havoc with the state finances, which are still running annual deficits in 2014, while the Debt/ GDP ratio piles up.

No wonder, after Ireland’s economic management was thrust into the arms of the Troika, the electorate delivered a blistering verdict against the incumbent government in the election of 2011. A coalition of Fine Gael and Labour coasted to a landslide majority that has been their principal backstop as they set about implementing an austerity strategy aimed at righting the ship. And still, in 2014, Ireland is not out of the minefield, as mortgage debt foreclosure looms for large numbers and the problem of homelessness mounts up relentlessly.

While the Great Recession is international in scale, the impact is very uneven globally and even within Europe and the Eurozone. Ireland is one of the worst hit cases and may be ranked as one of the greatest banking collapses to confront a state in history. Yet the causes and consequences of the crisis are still often the subject of what is usually very superficial analysis. Judging by how some commentators seize on each upward blip in house prices, or the faith in the construction sector as the potential driver of recovery, one could be forgiven for thinking that too many pundits still see the recovery depending largely on the same phenomena that contributed to the crisis in the first place.

For this reason, the publication of Ó Riain’s analysis of the rise and fall of the Celtic Tiger is of great importance. There have been quite a few partial attempts to review the causes and consequences of the Great Recession internationally and in Ireland. Up to now, however, none of the accounts of the Irish case have both captured the depth, complexity and severity of this crisis and also conveyed the analysis in terms that are sufficiently clear and detailed as to be grasped by the average, educated, lay reader. Thankfully, we now have an account that brings a formidable arsenal of theoretical, conceptual and empirical rigour to bear on the crisis and yet is reasonably accessible to non-economists (which includes quite a few people in the Department of Finance, for starters). This book is thorough, original, serious and replete with insights. It draws deftly on some of the best literature in comparative political economy, sociology and social policy in an effort to tease out the detailed evidence at several levels while seeking to make sense of the crisis as a whole.

Ó Riain situates the financial, fiscal, economic, social and reputational dimensions of the Irish case, which have been identified previously by the NESC, in an account that is rooted in a critical exploration of the nature of liberalism and its Irish variant. He links the dynamics of the Irish case to global events, in the USA and in Europe. Where many critical commentators adopt terminology of neo-liberalism in relation to the Irish case, only to foreshorten the analytical work on the nature and course of the crisis, Ó Riain works painstakingly through the evidence, which he synthesises into his account of the rise and fall of Ireland's economic boom and bust: there are about 70 figures and 40 tables throughout this book, which are integral to his analysis and cover different facets. Ó Riain is fully versed in comparative and theoretical debates on neo-liberalism but, rather than engaging in predictable but sterile debate, develops a method of analysis that delivers empirical evidence and theoretical insight on one page after the next. Without needing to agree with the approach adopted, a reader of whatever persuasion will gain a great deal from this book, which utilizes the insights of Polanyi, engages with comparative analyses of welfare capitalism and production regimes, and sets out Ireland as a case study of liberalism in crisis. As well, the book addresses not only “the economy” but the questions that are central to the kind of society, political and class interests, and governance culture that shaped Ireland’s Celtic Tiger years.

Ó Riain's engagement with a range of major themes of the day, for example financialisation, helps to demystify what is often presented either in perfunctory or impenetrable terms by others. Unlike most economists, he locates flows of financial capital in social contexts or interests - 'social structures of liquidity', revealing, for example, that Irish banks have very close linkages with property development, and with Fianna Fáil, and that this is linked to patterns of investment that have not driven productive investment in Ireland. The main credit for productive investment and sustainable employment in highly skilled jobs in Ireland goes not to the banks but to state agencies and state funds or investment banks. Ó Riain demonstrates how a circle of insiders - political, financial and property speculator elites - in effect hijacked the Celtic Tiger of the 1990s, which showed real promise, and wasted a great opportunity to steer it onto a more sustainable course. Instead they combined to accentuate the risks of inflated property markets.

Ó Riain does not reduce everything to domestic causes but analyses the Irish crisis in a wider context. Again, the analysis is concrete and closely detailed as he parses the changing nature of the relationship between Ireland and the EU, especially with the creation of the Eurozone. He describes the regression from Ireland’s initially positive engagement with European Community institutions towards relationships shaped increasingly by intergovernmental bargaining, over recent decades. He shows how this transition in the EU also contributed to the crisis, expressed most clearly in the poor design of the regime around monetary union, which created unprecedented credit flows without addressing the regional unevenness of development in Europe or the need for a fiscal arm and a greater capacity for regional policy, fiscal stabilisation and redistributive mechanisms. This failure is related in part to financialisation in Europe, and marks a shift away from the logic of “patient money” and the traditionally close coordination between industry and banking in core countries of the EU, particularly in Germany. Against this intergovernmental turn in Europe, banks and other cash rich financial institutions went in pursuit of the green pastures of speculative lending in the periphery of Europe. The strained relations between Dublin and Brussels/Berlin in the wake of 2008 reflect how high the stakes were in the core. Again, Ó Riain sets out the social structures of liquidity in Europe as well as in Ireland.

Ó Riain also traces the lines of the crisis more widely, and focuses on the choices made by the core countries in Europe to promote fiscal contraction as the only way out of recession. At this time, following several years of lost growth and employment – and even lost revenue – he can show the recessionary impact of this policy, which is unevenly spread and hits the peripheral parts of Europe most. He manages to get under the narrative of blame, which has emanated from the “responsible” core economies towards the supposedly profligate periphery, to present a more complex account of the way the dynamics of the internal market and Eurozone conspire to expose the weaker countries to a major shock. His analysis points to a different way to develop the European project alongside a different way to address the cyclical and structural weaknesses of the Irish regime.

The book not only explores the economic dynamics but also addresses the crisis of governance in Ireland and the unfolding social crisis, and the continuing threats that overhang the state, again using telling graphs and tables on a number of disturbing outcomes and trends. He shows the uneven effect of job losses on those with less than third level education, the serious impact of cuts in earnings among those still in employment, and the mounting housing mortgage crisis. The cuts in social spending and increases in taxes designed to bridge the revenue gap have produced negative growth and very few jobs. In short, Ireland is still on a knife edge, there is as yet no sign of any new departure in the thinking of the Irish political and other elites about the way forward. The mindset is still one of faith in austerity – until perhaps the run-up to a general election – without any genuine lessons being drawn from the crisis in relation to the strategic failings in Ireland’s developmental model. This is a really important book and should be on the reading list of every Irish politician – and quite a few European ones – following the European elections.