

Ireland's Crisis

Leadership, Integrity & Communication Failings

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www.eben.ie

International Crisis & Risk Communication
Conference

University of Central Florida

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Ireland's Conferences

Does Integrity Matter June 2011

www.eben.ie

Inaugural Governance Ethics & Compliance
Forum Dublin 30th May 2012

Cleraun Media Forum Dublin 22nd March 2012

Conflict Resolution Journalism

Conference Fri 19 - Sun 21 October 2012

Media Integrity Biannual

www.cleraunmedia.com

The year we came back from the edge

A REFLECTION ON THE GOVERNMENT'S FIRST YEAR IN OFFICE

Shatter and Burton make the best case for coalition



ANNE HARRIS

SO Mr Xi went home with his head full of our milking and food production ideas. And the after-image was of Enda Kenny singing and dancing in the breeze.

Mr Xi's name, as far as I know, means energy. And suddenly it seemed as if that was the leitmotif of this Government.

It matters. Perception is nine 10ths of Government. We are at the symbolic end of the first year and suddenly between Paypal and Google, it's all lotus blossoms and fair daffodils. Enda's leadership is finally

The two ministers provide a combined template of the kind of Government we so desperately need

defined. In a word: energy. It took a while, because the broken (unrealistic) promises could not be as easily minimised, fixed and moved on from as the normal mistakes of a new Government.

And all that displacement spin did not help. But energy is not a bad thing to have at the end of Year One. Especially when that energy is harnessed to national resources, which are as welcome as they are unexpected. Who would have thought one year ago that Joan Burton and Alan Shatter would provide a combined

template of the kind of Government we desperately need.

With their ideas, articulacy, honesty and courage, they are the heart and the head of this administration.

It seems incredible now that Joan Burton started out dissed by Eamon Gilmore and miffed at not getting the Finance portfolio. In 40-odd weeks, she has shaken our society to its core. She named the shadow of welfare fraud, which decades of political correctness had forbidden. In doing so, she has already saved €645m.

She challenged the welfare system in order to protect those who need it. She raised the minimum wage and reformed the lower rate of PRSI. The Keane Report which she drove at least expresses concern about those in mortgage arrears – the only sign of awareness in this



THE HEAD AND THE HEART: Minister for Justice Alan Shatter and Minister for Social Protection Joan Burton have emerged as two unexpected national resources, with their ideas, honesty and courage

Government of this most enervating stress in our community.

Most other ministers end up referencing her to explain their own plans.

What she does is called tough love. For my money, her next task should be Public Sector Transformation.

The public sector is like an over-privileged child who wants

to be brought into the embrace of a normal family. It protests that it suffers the angst of the coping class. And it does. The problem is a big silver spoon is choking its protests. Job security.

This is where Joan comes in. She does not do topsy-turvy thinking. Take PRSI. The reason the public sector pays so little pay-related social insurance is that nobody in it is likely to lose their job. But the self-employed pay PRSI and will never qualify for non-means-tested dole.

Any wonder there is polarisation now between private sector and public sector. But it has been fostered, not by media, as cynical political vested interests claim, but by the proponents of benchmarking and their servants in Government and public sector unions.

Alan Shatter faced down the highest public servants in the

land – the judges – and won. In doing so he has stood up to his tribe. A solicitor who cares not what the Law Library thinks of him – in fact, he seems not to care what anyone thinks of him – he is the hard head of this administration.

Real change seems to be what he and Burton manage to effect. Ministerial transport arrangements were changed. Just like that. After decades of talk, it looks like he will very soon change the bankruptcy laws, give equal rights for civil partnerships, provide free legal aid to victims of human trafficking, reform the Garda. And on and on.

Between them, Burton and Shatter provide the only argument for coalition I can think of. We didn't actually vote for this – something Mr Xi would understand – but we could have done worse.

Honeymoon is over

but marriage is still on



Go Raibh Maith Agat

Like the Oscars, before the music starts, thank you to:

Bob Chandler University of Central Florida

David Duffy ESRI Economic and Social Research Institute

Ciara Comerford – PA to CEO IDA IRELAND Indl Development

Aoife Keane – IBEC Business and Employers Confederation

Karl Whelan - Prof Economics Univ College Dublin

Susan Clarke – Long suffering wife of an idealist cataloguing
Ireland's loss of integrity, leadership, values & sovereignty

George & Stephen – EBEN Ireland co-Directors

Mary Robinson & Mary McAleese – Presidents ; Courageous
leadership with high integrity

Ireland's new leaders – primacy of national interest, stronger
leadership, greater integrity, better communication – promising
start; more required allied to indomitable courage and vision

Ireland and USA

Oscar Wilde Irish playwright, poet and wit (1854-1900)

**Of course America had often been discovered before
Columbus, but it had always been hushed up.** *Personal
Impressions of America* (1883)

**Perhaps, after all, America has never been discovered ... I
myself would say that it had merely been detected.** *The
picture of Dorian Gray* (1891)

**All Americans lecture, I believe. I suppose it is something in
their climate.** A woman of no importance Act2

**In America the President reigns for four years, and
Journalism governs for ever and ever.** *The Soul of Man
under Socialism* (1895)

Truth and Transparency

Oscar Wilde Irish playwright, poet and wit (1854-1900)

If one tells the truth, one is sure, sooner or later, to be found out

Oscar Wilde *The Chameleon* (December 1894)

The truth is rarely pure and never simple. Modern life would be very tedious if it were either Oscar Wilde *The Importance, of Being Earnest* Act1 (1895)

It is perfectly monstrous the way people go about nowadays, saying things against one behind one's back that are absolutely true

Oscar Wilde *The Picture of Dorian Gray* Ch15 (1891) later *A Woman of No Importance*, Act1 (1893)

I don't mind what the opposition say of me, so long as they don't tell the truth about me; but but when they descend to telling the truth about me, I consider that is taking an unfair advantage Mark

Twain, (1835-1910) Speech Hartford Connecticut 26 October 1880

Limits to transparency?

Robert Louis Stevenson

*To tell the truth, rightly understood
Is not just to state the true facts
But to convey a true impression*

Ireland's Crisis

Not a tragic accident : a man-made crisis

Not fully avoidable – global trigger but local errors

Trauma – economic; unmanaged yet almost 'invisible'

Could have been minimised and less traumatic

Post traumatic stress has affected many...

Wasn't managed or led or planned or communicated

Abraham Lincoln

Human Nature

Human action can be modified to some extent

But human nature cannot be changed

Lessons to be learned – and shared – and not repeated?

Economic Crises ... 1929 & 1930s ... how many times repeated since?

Do we ever learn? Ireland back to 1980s

Fortunately country in stronger position to recover

IDA Ireland and Foreign Direct Investment

Future is brighter

New Financial Regulator *Matthew Elderfield*

Englishman; much stronger; flexed muscles already

New Government led by *Enda Kenny* who has said in parliament:

“Honesty isn't the best policy. It is the only policy”

“Ireland needs a restoration of values”

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We're sitting up and taking notice of Enda

The way the Taoiseach is seen to be handling the pressures of office is greatly refreshing

WHEN his predecessor was elected, he never let an opportunity pass to say that it was a great honour for him to be the holder of the office of An Taoiseach. And it is an honour.

In the best of times, or, like now, in the worst, the honour is the same, invested in the office and bestowed upon the holder, all 13 of them have held it since the foundation of the State.

Having duly, and regularly, knowledge that honour, Brian Cowen, the 12th, would invariably rest into himself again, seemingly a mass of confusions and contradictions, best unquoted over a beer with his friends. Cowen the hard with the pressures of office, was seen to fight with and to struggle, and then, in a way that struggle to get the best of him in the end.

pressures on Enda Kenny



JODY CORCORAN

are no different, nor for any of the other holders, but it is the manner in which he is seen to deal with them that is so refreshing.

This may seem a small thing. Enda Kenny smiles, he walks to work, he has a pep in his step — but it is not so small, how a man is seen to deal with the pressures placed upon him.

Some people call it leadership. The proof of the pudding will be in the eating, of course. When will we reclaim our sovereignty, and in what truncated form? In what circumstance will we find our way again in Europe?

There are other more immediate questions. At what level will the economy begin to recover, and when? How many will have emigrated? How many will be unemployed? Then there is the slow, remorseless implosion on the high street, which continues.

These are such serious issues, with profound implications, the true impact of which may not be fully known or understood for a generation — which does not lessen the impact right now.

It is very real, indeed, what people are living through right now.

In terms of policy, the decisions Kenny has taken may be no different from those which Cowen would have taken. It was always going to be thus. If anybody had ever thought otherwise, they were deluding themselves.

Kenny is around as long as any of them in Leinster House, longer in fact; he is what is called the Father of the Dail, the longest-



serving, continuously elected.

If the circumstances were different and he had held power in the years of the Celtic Tiger boom, he too may have led us down the same ruinous path. But that is not the point. He is a politician, the same as any politician. He lives for a vote. For him, for any of them, it is all about the attainment of power first and then, however quickly an afterthought, what to do with it.

He is obsessed with the presentation of image, too — what we call spin, in all of its forms. So what, you may ask, if Kenny walks to work, as it was spun within days of him taking office?

One year on, however, and, well,

we can see that it is important.

It is important that he is at his desk early, with a clear head; that he skips across Merrion Street with all of the enthusiasm of a man half his age; that he receives an award — Person of the Year — in Mayo and, the next morning, is on the pier at Union Hall in west Cork to hug a woman who has lost her husband at sea.

It is important that he flies to New York and home and back to New York again within days, seemingly as fresh and as full of energy for the job at hand, more so certainly than his predecessor and, it could be argued, any of his predecessors, with the possible

exception of Bertie Ahern.

This kind of energy is infectious. His Cabinet is at work early, too, and with a clear head. It reaches beyond that. Everybody everywhere, throughout the country, who has a job of work to do has an example to follow here.

He cuts a dash, of which we can be proud, in Europe, or with the heir apparent from China, or with a queen or a president.

In fact, most people began to sit up and take notice of the Taoiseach when he stood alongside Barack Obama and outdid him in terms of rhetoric last May. Although one of his harshest critics, at College Green almost a year ago I found



AMONG EQUALS: Clockwise, from left, Enda Kenny cuts a dash with Chinese Vice-President Xi, France's Nicolas Sarkozy, the Obamas, and Queen Elizabeth

myself saying: "Good man, Enda."

None of this is to lose the run of ourselves, of course. It may, and probably will, all go disastrously wrong in due course, at which point we will be reminded of what Shakespeare said, that outward show is least itself.

But Kenny has, so far, done a good job. He has shown that he is no deceptive ornament. There is a sense, just a sense, not that we have hit the bottom, but that we may be on the way back.

That may or may not have happened, irrespective of who held the honour. But history will show that it was Kenny who held the honour and that he held it lightly.

ow Gilmore became the visible man of Government

Honeymoon is over but marriage intact

National repair job getting there slowly



DANIEL MCCONNELL

The economy is a little steadier certainly, but some poor decisions have tarnished the Government's record

SHORTLY before he took up the office of finance minister, Michael Noonan made an impassioned speech in the Dail about what he would do to fix Ireland's economy if elected.

"I want the Troika out of here," he said bluntly. "We are a talented, educated accomplished people, well capable of running our own affairs. In the words of Michael Collins: 'give us the future, we have had enough of the past. Give us back our country, to live in, to grow in, to love'."

One year ago, Ireland was a country in dire straits — record unemployment of 14.7 per cent (455,000 people); a non-functioning banking system despite a €70bn plus bailout from taxpayers; record high borrowing costs; a runaway national debt soaring at about €50,000 a minute; mass emigration of young people had returned once again and the domestic economy was in freefall. Five firms were closing every day.

Unable to borrow and with our cash reserves running out, like a desperate alcoholic willing to do anything for his next drink, Ireland was humiliated by our European "partners" into a penal bailout package in November 2010.

Following a historic election result which saw the Green Party eradicated from the national parliament and Fianna Fail decimated to just 20 seats, the Government



MAKING OUR CASE IN EUROPE: Minister for Finance Michael Noonan with former French finance minister Christine Lagarde, now IMF chief

The Government also committed to strongly implementing the Troika programme, deciding that being the best boys in class would be the most advantageous way forward.

Within three weeks of taking office came the successful completion of the bank stress-testing process, €24bn recapitalisation and restructuring of the Irish banks.

While the stress tests were well received internationally, it was overshadowed by a refusal of the European Central Bank (ECB) to put in place a formal lending arrangement for Ireland to avail of cheaper money.

Given the very strict conditions of the programme, the new Government's

bold, daring Jobs Budget promised in the election, it was a Mickey Mouse, PR-driven exercise, which resulted in the Government's €2bn raiding of private pension pots, a move much criticised by private businesses.

Then in July, while on a trip to the US after a meeting with IMF bosses, Michael Noonan said he would be seeking to burn senior bondholders in Anglo Irish Bank and Irish Nationwide.

While winning much praise and support for such a move at home, he was later beaten into submission by the ECB who once again refused to countenance it.

As summer turned to autumn, attention began to shift toward the Government's first Budget

announced cuts have since been reversed under political pressure from jumpy backbenchers.

In a welcome move, the Government has also recognised that Ireland cannot recover unless it deals with its debt crisis at every level.

With this in mind, Justice Minister Alan Shatter three weeks ago announced his new insolvency laws aimed at tackling Ireland's extremely high personal debt levels. Light on detail, and criticised by various vested interests, only time will tell how useful these new laws will be.

But the issue of debt, specifically our national debt, is now the focus of the Irish agenda.

As a result of the bank bailouts, where private debt was landed on the shoulders of taxpayers, Ireland's debt levels remain penal and unsustainable.

Despite repeated requests, Europe has been very slow in fighting Ireland's corner when it has come to our debt. The ECB is once again dragging its heels on restructuring the €3.1bn yearly promissory note bailout fund for the defunct Anglo Irish Bank.

This is the big battle of 2012 for Noonan — getting our debt levels down — and he should be supported in his fight.

Overall, one year on from taking office, with its first Budget passed, the Government's economic record can only be assessed as mixed.

The ship is certainly steadier, and we have backed ourselves away from the edge of disaster at which we found ourselves this time 12 months ago.

"We are not Greece," has been the mantra — Noonan has the T-shirt to prove it — and to a large extent the message has been heard.

The cost of three-year money has dropped from over 21 per cent to just under 5 per cent; unemployment has fallen marginally to 14.2 per cent; mortgage lending has increased for the first time in three years; house prices appear to be bottoming out; the deficit is being reduced steadily and Ireland

Presidents

**Ireland led by 2 superb Presidents as Head of State since 2000
– Mary Robinson & Mary McAleese – 7 and 14 years**

**Law Professors, Human Rights campaigners, Courage to
speak up about injustices...PEOPLE FIRST**

**Robinson UN High Commissioner Human Rights, Elders with
Mandela, Tutu...Climate Change...**

**McAleese new challenges; husband Martin (now Senator) key
'behind scenes role' in Northern Ireland Peace Process
with Bill & Hilary Clinton, George Mitchell...Tony Blair &
Bertie Ahern built on foundations laid over 20 years of
diplomacy**

**Ahern – N Ireland – right place right time; Economy great
timing with Cicero's 'unlimited money' but opportunity
squandered due to lack of vision et al**

**Presidential Election campaign hugely affected by Twitter
during live TV debate all candidates in final week!**

Michael D Higgins 11/11/11

Highest calibre candidate elected – academic / politician /
human rights / culture

Inauguration Speech Dublin Castle:

Challenges... we face together, in closing a chapter that has left us fragile as an economy, but most of all wounded as a society, with unacceptable levels of unemployment, mortgage insecurity, collapsing property values and many broken expectations.

During my campaign for the Presidency, I encountered that pain particularly among the most vulnerable of our people. However, I also recognise the will of all of our people to move beyond anger, frustration or cynicism and to draw on our shared strengths.

Michael D Higgins 11/11/11

To close the chapter on that which has failed, that which was not the best version of ourselves as a people, and open a new chapter based on a different version of our Irishness -

will require a transition in our political thinking, in our view of the public world, in our institutions, and, most difficult of all, in our consciousness.

In making that transformation, it is necessary to move past the assumptions which have failed us and to work together for such a different set of values as will enable us to build a sustainable social economy and a society which is profoundly ethical and inclusive.

A society and a state which will restore trust and confidence at home and act as a worthy symbol of Irishness abroad, inviting relationships of respect and co-operation across the world.

Presidency Seminars...

*Presidency Seminars which may reflect and explore themes important to our shared life yet separate and wider than legislative demand, themes such as the restoration of trust in our institutions, the **ethical** connection between our economy and society, the future of a Europe built on peace, social solidarity and sustainability.*

*The first of these seminars will focus on being young in Ireland. It will address issues of participation, education, employment, emigration and mental health. I hope also that the seminars during the next seven years might encompass consideration of global issues, stressing the importance of the **ethical** connection between politics, economy, development and society.*

Ireland's Crisis

State the facts.

Leave interpretation to you from your combined crisis management and communications experiences

Question: Please look out for evidence of:

Leadership

Integrity

Communication

Vision

Ireland by the Numbers

IBEC VIDEO

Ireland by the Numbers

IBEC VIDEO

Did you know that Ireland is home to 8 of the top 10
global technology companies

and 15 of the top 25 medical devices firms?

We produce enough beef each year to feed 30 million
Europeans

1 out of every 5 burgers served in McDonalds in
Europe is Irish beef

Ireland means business for the world

960 foreign companies

- employing 138,000 workers
- cutting edge
- technology
- research
- IT hardware and
- software
- pharmaceuticals
- medical devices

Ireland means business for the world

For every 100 jobs created in life sciences manufacturing, an additional 100 jobs are created in supporting services.

6.9 bn in exports of medical devices

2nd largest exporter of medical devices in Europe after Germany

And one Sligo-based medical devices firm makes enough tubing to circle the globe.

Every year.

Twice.

Ireland means business for the world

Exports like these will lead Ireland back to growth.

In fact, Irish companies own more stock investments overseas (ODI) than foreign

companies make into Ireland. (189.7bn v 169.3bn)

Which shouldn't really surprise you.

But here are some other things that might:

Half of the world's fleet of leased aircraft is managed from Ireland.

We employ 16,000 people in forest products, and the sector produces 1.9 bn for the economy.

Ireland is the largest provide of cross-border life insurance in the EU with 16.4bn in premiums in 2009

1.4 TRILLION euro in funds are administered from Ireland

And we are competitive:

4th for labour productivity

3rd for flexibility and adaptability of people

3rd for being open to new ideas

1st for real corporate taxes

1st for financial skills

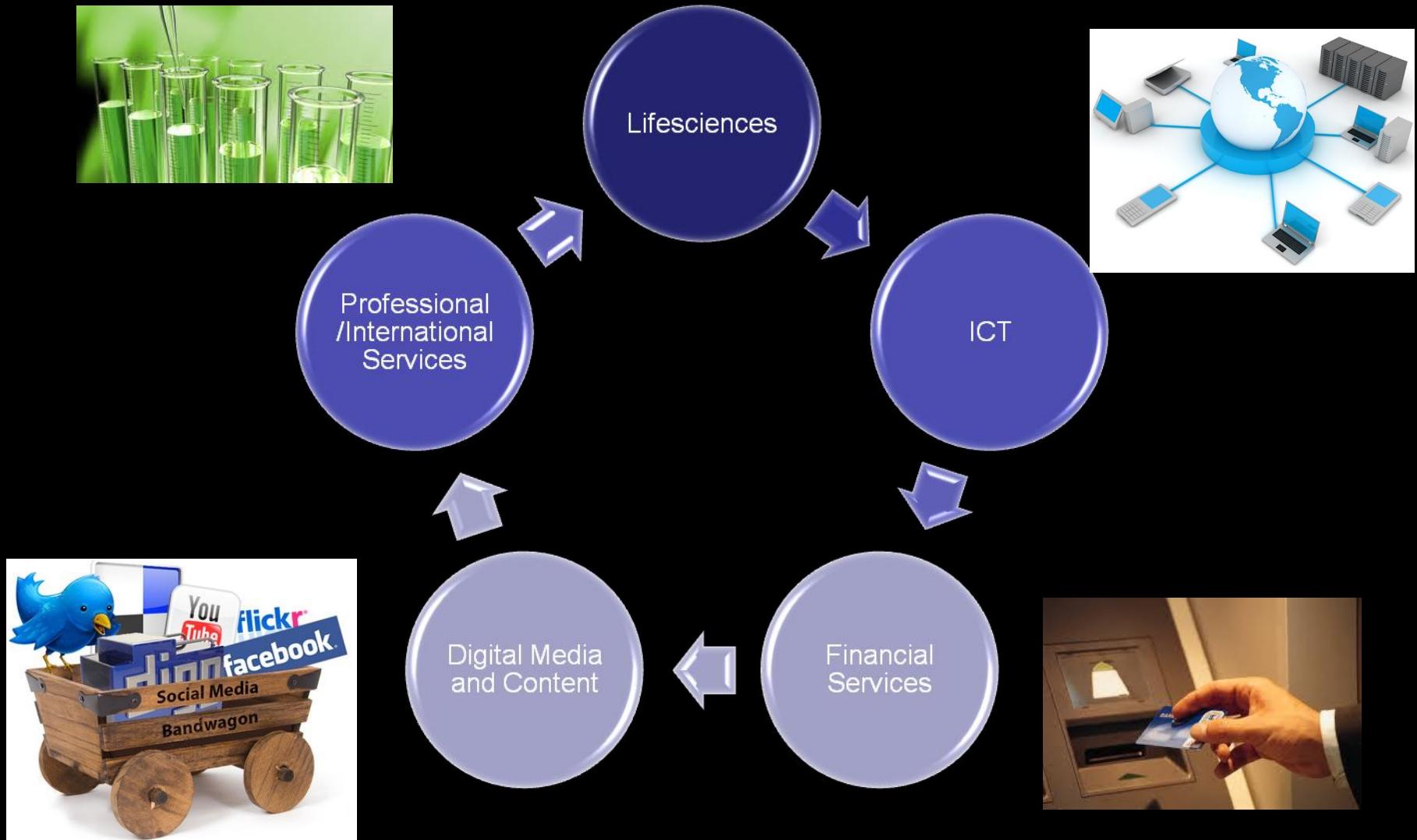
1st for availability of skilled labour

So we re not kidding when we say Ireland means
business.

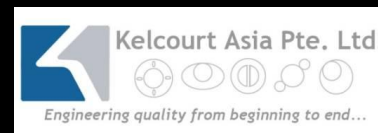
You should say it too.

Crisis? What Crisis?

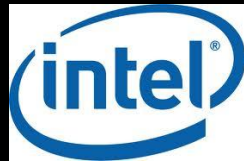
Who is investing? – Key Sectors



New Names 2011



Expansions 2011



Research Development & Innovation 2011

Significant Govt Support & Tax Benefits

EMC²
where information lives®

McAfee®

 **COVIDIEN**

ERICSSON 

 **MERCK**

IBM®

 **ANALOG
DEVICES**

 **BSB**

MISYS 


Biotrin

CACI
EVER VIGILANT

**Boston
Scientific**
Delivering what's next.™

DELL™

ON Semiconductor®



Crisis? What Crisis?

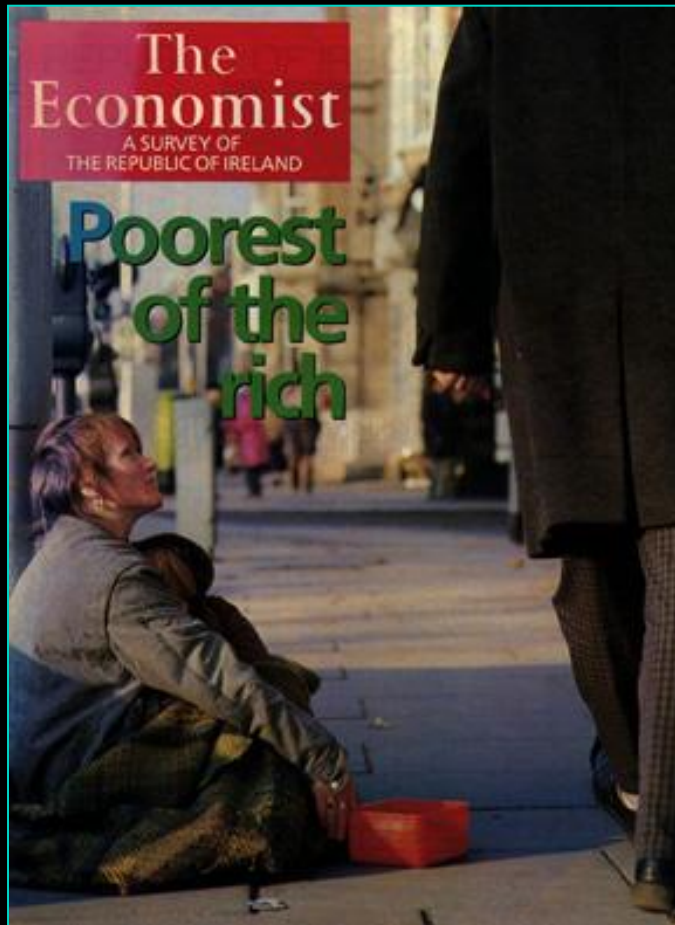
Many great businesses and business people – international and indigenous

Ireland a great place to do business

If the **business people** had been permitted to run the country's economy on sound commercial lines, picture would be VERY different

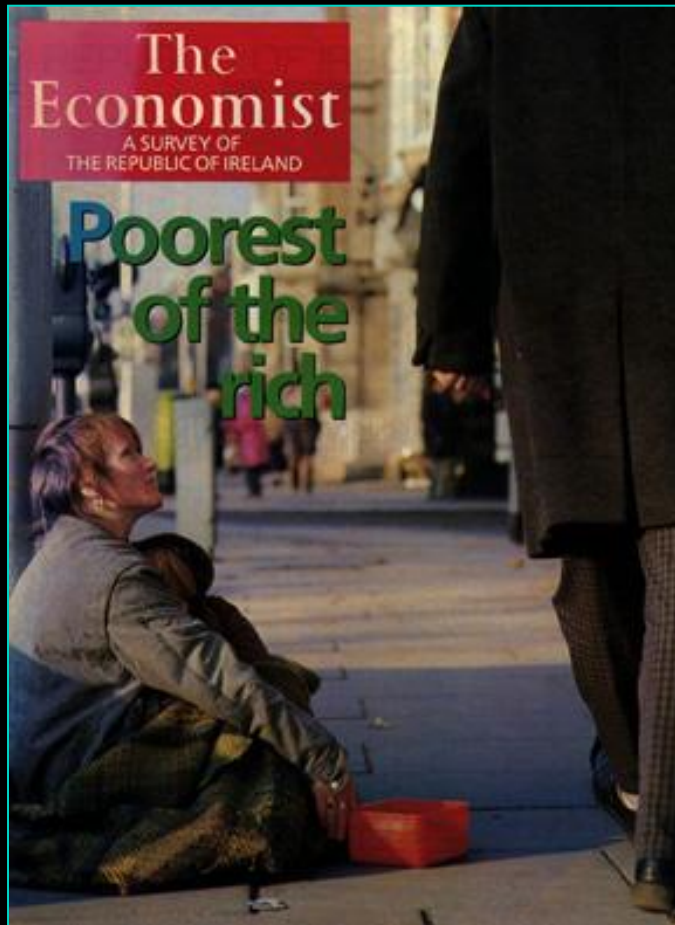
Property crash was VERY PREDICTABLE
Driving down a cul-de-sac, accelerate harder or u-turn?

From 'Poverty'...

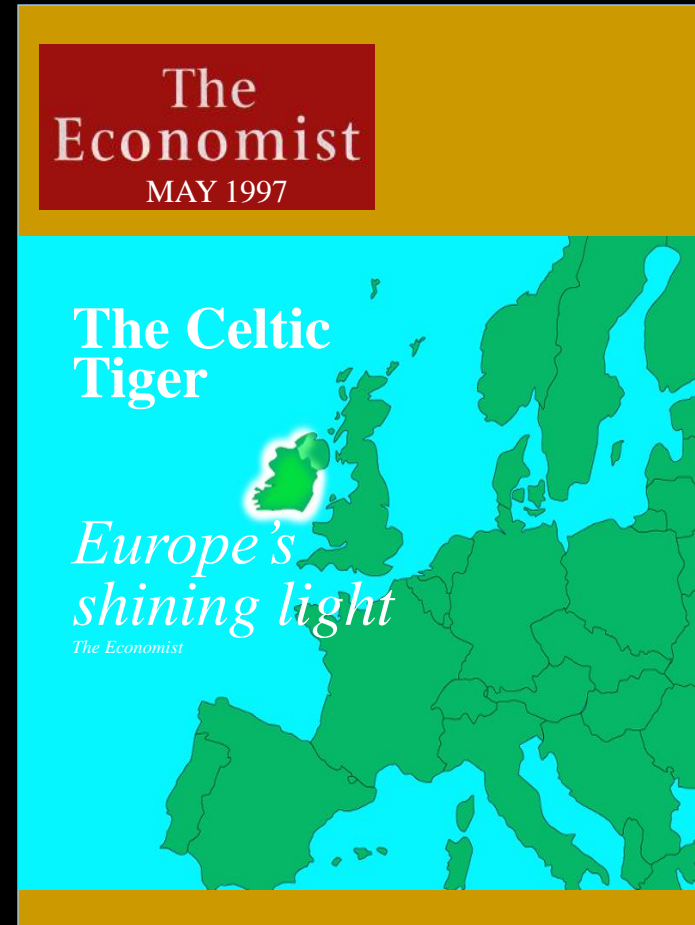


1988

..to Shining Light in a decade

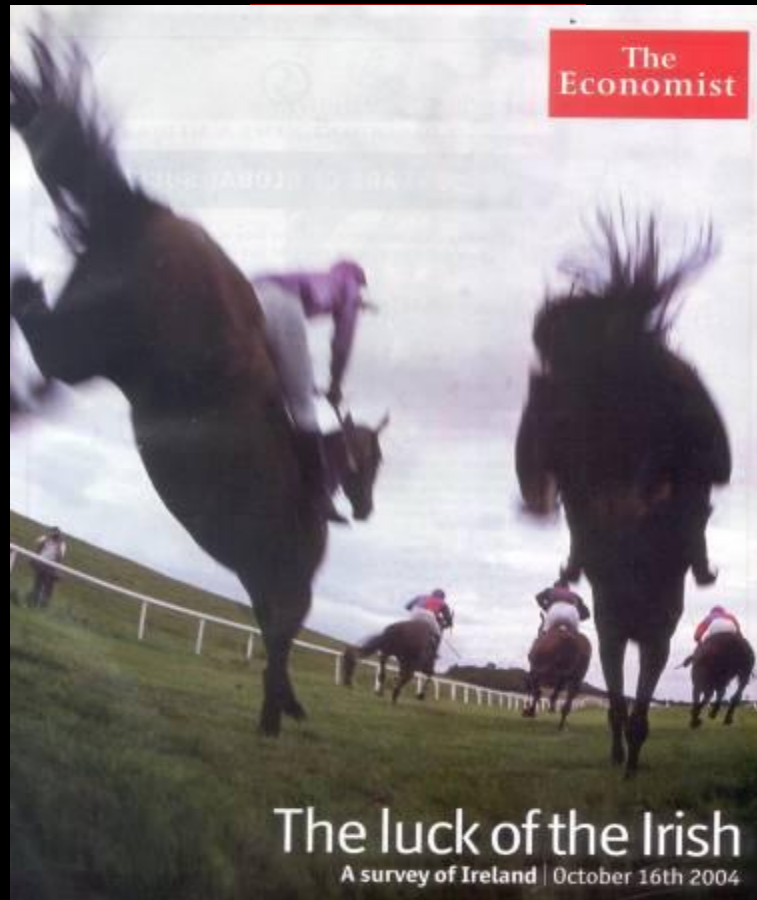


1988



1997

The Luck of the Irish?



2004

More than luck...

Leadership, Integrity, Communication, Vision

Above all – COURAGE

Almost a century of 'independence' yet much
unchanged - many long standing *status quos* or
sacred cows throughout society

Steady start and progress evident:

Economic

Legal system (Solicitor as Justice Minister)

Limiting time on unemployment benefit (Accountant)

Church-State reinvention – tough policy; strengthen
relationship as trust in hierarchy lost

Whistleblowing legislation

Propinquity or Progress?

Propinquity or Progress? Integrity in Post Celtic Tiger Ireland – A Leadership Challenge

or

How Low Integrity and Lack of Leadership led to Ireland's Problems and How High Integrity and Strong Leadership is Required to Restore Trust and Financial Stability

Presented initially at IESE 'Business Ethics and Society' Conference Barcelona May 2010

Irish Characteristics Beyond Luck

Perhaps this relatively newly-industrialised country could consider some of the strengths of its rural heritage

A solution embodying the Irish *“spirit of the meitheal”* whereby neighbouring farmers helped out with each others harvesting could be a suggestion from this little country for the wider globe, embodying some of the best aspects of human nature including giving, sharing and genuine teamwork

A return to the pre-Celtic Tiger notion of *“ni neart go cur le cheile”* or we are not strong until we work together – could be one of the most salutary lessons arising from the aftermath of Ireland’s period of excess

Three Reports

Two separate reports into economic and banking crisis published June 9th 2010

1. Newly appointed Central Bank governor **Patrick Honohan** - banking professor
2. International banking experts **Max Watson**, ex IMF and **Klaus Reglin**, German economist
3. **Commission of Investigation led by** Peter Nyberg former director general for financial services at Finland's ministry of finance; strong role managing Finland's banking crisis of early 1990s. Reported April 2011

Regling/Watson Report June 2010

- While global and domestic factors interacted in mutually reinforcing ways, it is feasible to disentangle the main homemade elements in the debacle
- **Fiscal policy** heightened the vulnerability of the economy
- **Bank governance and risk management** were weak – in some cases disastrously so
- The systemic impact of the governance issues crystallised dramatically with the Government statements that accompanied the **nationalisation of Anglo Irish Bank**
- Ireland's **banking exuberance** indulged in few of the exotic constructs that caused problems elsewhere
- This was a **plain vanilla property bubble**
- Compounded by exceptional concentrations of lending for purposes related to **property** – and notably commercial property

Regling/Watson Report June 2010

- Official policies and bank governance failings seriously exacerbated Ireland's credit and property boom and depleted its fiscal and banking buffers when the crisis struck
- Significant factors contributing to unsustainable structure of spending in Irish economy
 - Government's procyclical fiscal policy stance
 - Budgetary measures aimed at boosting construction sector
 - Relaxed approach to growing reliance on construction-related and other insecure sources of tax revenue
- Prima facie evidence of comprehensive failure of bank management and direction to maintain safe and sound banking practices,
- Instead incurring huge external liabilities in order to support a **credit-fuelled property market and construction frenzy**

Honohan Report June 2010

New Central Bank governor Patrick Honohan on regulatory regime, govt policy & bank management

- Clear that major failure in terms of bank regulation and maintenance of financial stability failure occurred
- Failure of systemic nature rather than related to any one individual
- Weaknesses of Irish banks not caused by interruption in flow of cheap money from abroad
- Anglo Irish Bank and Irish Nationwide Building Society on road towards insolvency before collapse of Lehman Brothers
- Blames macroeconomic and budgetary policies for contributing to economic overheating
- Government relied to 'unsustainable extent' on construction sector and other transient sources for revenue

Honohan Report June 2010

- Other than regulator, major responsibility lies with **directors & senior managements of banks**
- "It may also be the case that auditors & accountants should have been more alert to weaknesses in the banks' lending and financial position"
- Regulator relied excessively on a **regulatory philosophy** *'emphasising process over outcomes'*
- Only small number of staff within **Finl Regulator** directly involved in prudential supervision of credit institutions – no more than two per major firm
- Central Bank and regulator had an **'unduly deferential approach to the banking industry'**
- Intrusive demands from regulator staff could be and were set aside after direct representations made to senior regulators
- **Central Bank expectation of a 'soft landing' in property market was a 'triumph of hope over reality'**

Honohan Report June 2010

- Banks did not have ‘reliable models, tested and calibrated on Irish data, which could credibly predict loan losses under varying scenarios’
- ‘Banks were naturally prone to over-optimism and even (later) denial’
- Sept 2008 bank guarantee culmination of intensive series of interagency meetings over previous month
- Banking system faced collapse - extensive guarantee needed
- Legislation to nationalise a troubled bank and/or building society had been in preparation for some time in September 2008
- Prima facie evidence of comprehensive failure of bank management and direction to maintain safe and sound banking practices
- Corrective regulatory intervention “delayed and timid”
- Greater increase in capital requirements on risky loans implemented several years earlier would have made major difference

Commission of Investigation

- Regling and Watson - mainly macroeconomic causes of crisis
- Honohan role of Central Bank, Financial Regulator & banks
- Four subjects of Nyberg inquiry :
 1. Main causes of the **'serious failures' of the credit institutions** covered by the guarantee scheme 'to implement and adhere to appropriate standards and controls'
 - **Anglo Irish Bank and Irish Nationwide (INBS)** business and lending practices resulting in those severe financial distress
 - Performance of external **auditors** especially Anglo & INBS
 - Main causes for failures in performance of statutory roles and responsibilities of Central Bank and Financial Services Authority of Ireland in relation to **regulation and supervision** of the six institutions and maintenance of financial stability, particularly corporate governance and risk management policies and practices

Peter Nyberg

- IMF mid-1980s then head financial services Finland's ministry of finance; PhD
- Finland deep recession 1990
 - removal bank borrowing controls
 - excessive foreign borrowing
 - Nyberg advised at Bank of Finland board
 - responsibility for banking crisis resolution proposals.
- 1997 research paper
 - recommended only 'viable banks with fit and proper governance' should be supported
 - bank support should be constrained 'by the need to safeguard government creditworthiness'
 - Nyberg has recommended creditors share substantial losses in bank failure

Misjudging Risk: Causes of the systemic banking crisis in Ireland

- Nyberg team six month investigation of banking crisis
- Reported April 2011
- 140 interviews
- 200,000 bank records
- Deeper investigation than two previous ‘scoping’ reports
- Two areas not previously examined
 - role of external auditors - ‘silent observers’ in years leading to crisis
 - non-executive bank board members - out of the depth of their expertise

Nyberg Report Summary

1. Highly critical of banks, financial regulators and Department of Finance.
2. Speed and severity of crisis exacerbated by global events, main reason for crisis ‘unhindered expansion of [Ireland's] property bubble financed by banks using wholesale market funding’
3. Lower credit standards, introduction of high-risk products & access to credit on international money markets contributed to banking crisis
4. Lax oversight by external watchdogs and move away from ‘time-honoured prudential limits and procedures’ by financial institutions
5. Bankers, borrowers and financial / civic guardians gripped by ‘groupthink’ & herd instinct: property could only make everyone richer
6. Responsibility for spectacular collapse in financial system lies with all institutions involved; stopped short of blaming any individuals
7. ‘Herd mentality’ other banks copying riskier Anglo lending practices
8. Unbelievable that intelligent banking professionals unaware of size of the risks they were taking
9. Lack of critical debate across Irish society about the scale and sustainability of the economic growth and the property boom

Property Market / Mania

1. 'National speculative mania' 2003 to 2008 - 'bandwagon effects'
2. Belief: 'unlimited real wealth from selling property to each other on credit'
3. General view property values would not fall contributed to growth in property lending and excessive risks taken by banks
4. Led to "gradual adoption of lower credit standards" by some banks to sustain market share and profitability
5. "Willingness of banks to accept higher risks by providing more and shockingly larger loans primarily for commercial property deals an important reason for the gradual increase in financial fragility"
6. Mania created a consensus few professionals willing to challenge
7. Traditional values, analysis and rules were lost
8. During crisis participants had difficulty accepting their share of blame
9. Without post Lehman 2008 liquidity crisis, property market expansion would have continued; **crash could have been worse**

Responsibility

1. Ireland as a country lost run of itself
2. Obsessed with money made from sector many believed would, at worst, decline only modestly
3. Nyberg blamed all sectors of Irish life
 - Property buyers and banks made bad decisions
 - Central Bank, Financial Regulator, Government and Politicians didn't understand or care about the risks
 - Had one of those parties shouted stop, country would not have found itself in depth of the crisis
4. Because it was a study into a 'systemic' crisis, not useful to name individuals and that it was his decision not to.
5. "Extremely difficult" to blame one group or institution for banking crisis. Too many people to blame. Not one or two but hundreds of thousands of people

Regulation

1. Central Bank and Financial Regulator had powers to intervene in governance and lending issues that arose in banks over decade but failed to exercise them
2. *“Real problem not lack of powers but lack of scepticism and appetite to prosecute challenges”*
3. Then Head of Financial Regulator Patrick Neary chose to trust bank bosses to make proper and prudent decisions
4. *“Almost an element of Financial Regulator being ‘fobbed off’ by banks that had particularly full confidence in the quality and sophistication of their models and systems”*
5. Regulatory authorities should have done more to dampen bank lending during the boom; criticised introduction of 100 per cent mortgages.
6. Regulatory authorities should have capped amount of money lent by banks
7. Both Financial Regulator and Central Bank either failed to detect or *‘seriously misjudged’* the risks associated with property boom
8. Both aware of *“macroeconomic risks”* and risky bank behaviour but appear to have judged them *“insufficiently alarming”* to seek to restrain lending

Regulation

1. Had Department of Finance taken a *“greater interest in financial market issues early on, preparations for dealing with financial crisis would have been more comprehensive”*
2. Department did not have the *“requisite professional staff”* to fulfil its mandate
3. *“Worries about developing financial situation”* were expressed internally from *“time to time”*, never acted upon as view in Department that Central Bank and Financial Regulator responsible for stability in the sector
4. Although Regulator detected numerous governance & process issues at INBS from 2003 to 2008, and before, it *“remained hesitant to take effective action even when the engagement with INBS resulted in little material change”*
5. The *“very significant risks”* in INBS business model *“had time to develop essentially undisturbed”*

International

1. Crisis was underscored by Irish banks' access to cheap and abundant credit internationally, *“owing to monetary policies in major countries”*
2. While international developments helped trigger crisis in Ireland, they did not cause it
3. Origins were result of *"domestic Irish decisions and actions, some of which were made more profitable or possible by international developments"*

Risk

1. Banks “*embraced a lending sales culture at the expense of prudence and risk management*”
2. Risk management structures proved “*largely ineffective*”
3. Neither borrowers nor banks understood risks they were taking, causing loans to expand rapidly
4. “*The willingness of banks to accept higher risks by providing more and shockingly larger loans primarily for commercial property deals was an important reason for the gradual increase in financial fragility in Ireland*”

Competition

1. Willingness of banks to accept higher risks occurred following emergence of strong foreign and domestic competitors within both residential and commercial property lending markets
2. *"If so, the pressure for conformity in the banks has proven to be quite expensive"*

Products

1. Introduction of potentially high-risk retail products were contributors to the crisis
2. Examples
 - Tracker mortgages
 - 100 per cent mortgages for first-time buyers

Bank Management / Interviews

1. Many Irish banks increasingly led and managed by people with less practical experience of credit and risk management
2. Governance at some banks fell short of best practice
3. Management may not have been aware of early warning signs
4. *“Disaster myopia”* within the banks – bankers and most others expected a soft landing in property market
5. Little or no contingency planning for a *“hard landing”* or a crash.
6. *“It appears now, with hindsight, to be almost unbelievable that intelligent professionals in the banking sector appear not to have been aware of the size of the risks they were taking”*
7. Nyberg said bankers he met were in denial about scale of risks they had taken.
8. Asked whether interviewees differed widely, he said that some were *“devastated”* by damage to their reputations and their financial losses

Bank Management / Interviews

1. Some still blamed Lehman Brothers and others for the crisis
2. Majority of people interviewed indicated they saw no major problems except lack of liquidity until end 2007, at earliest, and autumn 2008, at latest
3. Reasons given usually very similar, most prevalent being:
 1. property prices in Ireland had never decreased markedly
 2. everybody expected a “*soft landing*” at worst
 3. loan portfolios appeared sound
 4. property credits were diversified by country or county or class
 5. peer banks abroad did same thing and
 6. “*nobody told them*” there was a potential problem
4. Nyberg was frustrated with some lawyers he had “*stumbled over*” in his inquiry when meeting with 140 interviewees

Board Governance

1. Too often a *“collegiate and consensual style with little challenge or debate”* on bank boards
2. Banking & lending expertise of non-executive directors was *“insufficient”*
3. Neither banks nor borrowers understood the risks involved
4. Critical of bank governance structures
5. *“Some management information systems weak ; not provide managers and board meaningful or complete information”*
6. *“In Anglo, some board members had significant shareholdings in the bank, indicating high trust in operations and growth goals of bank”*
7. Nyberg *“widely assured”* by bank management, non-executive directors and “others” that problems in loan books came as *“complete surprise”* to them
8. Nyberg did not blame individual board members, but said because crisis happened on their watch, it was right that they should move on

Challenges to Status Quo

1. The “*mania in the Irish property market*” created a consensus that few professionals were willing to challenge
2. The “*substantial losses*” from the crisis could have been avoided had advance warnings had been “*available and recognised*”
3. There were indications that prudential concerns voiced in certain banks “*may have been discouraged*”
4. Some “*doubters*” within the financial sector remained silent “*in part to avoid possible sanctions*”
5. Contrarians within banking faced “*sanctions, loss of independence, loss of job or loss of credibility*”
6. Some managers strict on credit and risk with the banks were replaced

Challenges to Status Quo

7. Asked further about the **contrarians**, Nyberg said that he had found “*about a handful*” – one at each “*institution*”, referring to either a bank or a State body
8. A false consensus was created where contrarians and naysayers inside the banks and the authorities were forced to conform or were silenced by the unrelenting success of the property market
9. “*Much of the **media** enthusiastically supported households’ preoccupation with property ownership*”
10. Nyberg critical of role played by banks’ **external auditors**, described as “*the silent observers*” who interpreted their role narrowly.
“*Audit Expectation Gap*”: Auditors tasks include confirming that the financial statements – the responsibility of the directors - portray a true and fair view of a firm's 'state of affairs' and if in financial difficulty whether they can continue as a 'going concern'.

Anglo, INBS & Impact on other Banks

- 1) Corporate governance at Anglo and INBS fell short of best practice
- 2) Risky lending policies served as role model for other banks
- 3) “Herd mentality” following rapid expansion of their loan books
- 4) “Bank management and boards in other banks feared, if they did not yield to pressure to be as profitable as Anglo, they would face loss of long-standing customers, declining bank value, potential takeover and a loss of professional respect.”
- 5) "Anglo (lesser extent INBS) important for wider crisis because seen as highly-profitable institutions - to which other Irish banks should aspire"

Anglo, INBS & Impact on other Banks

- 1) *"As other banks tried to match Anglo profitability, their behaviour gradually, at times unintentionally, became similar. When crisis broke, large losses realised not only in Anglo and INBS but in other banks as well"*
- 2) Regulator raised minimum capital ratios for INBS and Anglo but *"such remedies did not prove effective to ensure sufficiently greater prudence and accountability in either of the banks"*
- 3) At Anglo and INBS in particular, traditional risk evaluation procedures and risk mitigation measures were not implemented in practice
- 4) Became dependent on wholesale funding as assets grew rapidly but customer deposits failed to expand enough
- 5) Growth of Anglo and INBS as a result of *"relationship banking"* important in terms of resulting crisis

Anglo Irish Bank

1. Anglo's procedures and processes existed on paper, but in certain were not properly implemented or followed in practice
2. *“It appears that, at least in the latter years, only a handful of management was aware of all activities of the bank”*
3. *“Some board members had significant shareholdings in the bank, which indicates that they had particularly full trust in its operations and growth goals”*

INBS - Irish Nationwide Building Society

1. *Nyberg extremely critical of governance at INBS. “The society lacked a number of formal functions usually considered necessary in banks and, in addition, documentation was substandard.”*
2. *Operated without “checks and balances” normally considered necessary*
3. *“Essential, independent functions either did not effectively exist or were seriously under-resourced”*
4. *Credit management was “unusual in many respects”*
5. *Credit policies were applied “very flexibly”*
6. *“No effective, independent credit risk management”*
7. *Credit committee primarily comprised lenders who normally would have been challenged by such a committee*
8. *Operated without head of commercial lending or chief risk officer 2003-2008*
9. *Risk or credit functions that did exist were not independent as they reported to managing director*

INBS - Irish Nationwide Building Society

10. Failed to hire skilled & experienced staff necessary to manage growing and more complex loans
11. €5.5 bn non-Irish commercial loans handled by just two managers
12. Management assumed focusing on a limited number of “*traditionally good customers was in itself safe enough*”
13. Top 25 customers - 51% of commercial loans September 2008
14. Commercial loan book grown from €2 bn 2000 to €9.8 billion 2007
15. Overarching driver of growth was demutualisation and its future sale
16. Financial Regulator raised “*significant concerns*” regarding covering
17. Regulator detected numerous governance and process issues at INBS yet “*remained hesitant to take effective action even when the engagement with INBS resulted in little material change*”
18. As a result, the “*very significant risks*” in INBS business model “*had time to develop essentially undisturbed*”

INBS - Irish Nationwide Building Society

INBS CEO (Michael Fingleton) given “*extraordinary powers*” by the Board; many staff reported directly to him

Board had formally delegated its powers “*for the practical, effective and efficient management, promotion and development of the bank to the managing director*”

“*This delegation of powers was most unusual given its vague and general formulation. Indeed, it is not immediately apparent what limits to this empowerment were*”

INBS became more of “*a venture capital financier*” than a typical bank, as involved in risky development lending; typically took profits up to 50% in deals

INBS Board only three non-executive directors most of 2003-2008

Rotation was modest

Directors had little practical banking experience

Government Guarantee

1. Absence of sufficient information on underlying quality of loan books at the banks impacted on options considered by Government when decided to introduce bank guarantee 30th September 2008.
2. Given information provided at the time, Nyberg “*understands*” government decision to offer broad bank guarantee
3. “*If accurate information on banks’ exposures had been available at the time it seems quite likely to the commission that a more limited guarantee combined with a state take-over of at least one bank might have been more seriously contemplate*”
4. Unfortunately no official minutes of meetings night Sept 29th 2008
5. Nyberg not surprised at decision as agreed at frantic time; as former public servant he had experience of such a scenario
6. Govt based its decision on “*deficient*” information on extent of problems
7. Had accurate information been available, likely more limited guarantee; State would have “*more seriously contemplated*” taking over at least one bank

1. New Minister for Finance Michael Noonan initially announced a Dáil (Parliamentary) debate on the report
2. Six 'guaranteed' financial institutions asked to provide “*board renewal plan*” to Finance Minister and National Treasury Management Agency
3. Central Bank plans to examine bank directors’ records in run-up to crisis; if necessary, launch formal investigations to suspend or prohibit individuals from involvement with finance companies
4. (New) Financial Regulator Matthew Elderfield wrote to bank boards to give directors opportunity to go through examination process
5. Minister for Finance said Government will, following constitutional change, seek to compel bankers to give evidence at a Parliamentary (Dáil) committee so public may hear directly from unidentified people Nyberg spoke to privately

Action / New Legislation

1. Referendum to give Parliamentary committees much stronger powers of investigation & ability to compel witnesses to appear; otherwise taxpayers unlikely to hear main players. (Referendum since held, poorly explained, scaremongering by lawyers and defeated)
2. Minister received final report from Nyberg commission of investigation on March 22nd 2010 and referred it to the Attorney General.
3. On the advice of the Attorney General, Finance Minister Michael Noonan referred the Nyberg report into the banking crisis to

Garda (police)

Office of the Director of Corporate Enforcement and

Director of Public Prosecutions

First time a report on banking practices in all the guaranteed lenders has been submitted to the Garda, the DPP and the ODCE.

Nyberg Solutions

Nyberg suggested measures that could prevent such a crisis occurring including:

- a “high and progressive minimum capital requirement” (set nationally)
- limiting “implicit government subsidies to certain bank activity clusters only
- limiting size and growth of banks and banking system in relation to economy
- raising the “potential default costs for investors in banks”

It Didn't Have to be Like This

It Didn't Have to be Like This

No-one in Ireland wanted events to transpire the way they have

A 'soft landing' was forecast with:

- a gradually declining property market
- no international credit crunch
- banks facing minor rather than major loan losses
- buoyant tax revenues
- gradually declining stock market
- employment remaining high
- migration not emigration
- government revenues sufficient to pay for public sector without borrowing
- no-one facing bankruptcy, not even property developers and bankers.

If only.

It Didn't Have to be Like This

But the mid-2010 Honahan Report on regulatory regime, government policy and actions of bank management said the Central Bank's expectation of a "soft landing" in property market was a "*triumph of hope over reality*".

Yet this "triumph of hope over reality" wasn't confined to just the property bubble -- the hope that development after development of properties would continue to sell even as prices rocketed and location from cities grew more and more distant.

If only.

Triumph of hope over reality

It also applied to

- government hope that revenue growth reliant on property taxes would miraculously be replaced by some other source when property bubble burst;
- hope that excessive increases in government spending (particularly top and middle management salaries) would equally miraculously be reversed when income fell;
- hope that international economic growth would save having to make spending cuts;
- hope that the migrants attracted to Ireland to work in construction and ‘hospitality’ would find employment elsewhere;
- hope that the thousands of extra hotel rooms would remain occupied;
- hope that thousands of empty properties would find buyers while at the same the homeless sleeping out at night in the cities would find shelter;

Triumph of hope over reality

It also applied to

- hope that a government who had basked in the glory of the Celtic Tiger (which resulted from the decisions of their more visionary and courageous predecessors)
- who had sat on the fence and shied away from decisions for over a decade, would equally miraculously discover the courage and integrity to face the challenges;
- hope that somehow they would be inspired to put the national interest before re-election of the party and the interests of a minority.

If only.

Home Grown Crisis

There may have been a global crisis but many of the problems in Ireland were self-inflicted.

Most notable were the BENCHMARKING related increases in public servants' pay and a large increase in public sector employees which was clearly going to create problems when national income inevitably fell.

The 'benchmarking' with private sector pay was untransparent.

Between 2002 and 2008 the public sector pay bill increased by 110%. Staff numbers increased by 29%. Average salary increased by 69%. And these are Dept of Finance figures from 2009.

Whilst also receiving one of the world's best pensions.

If only.

Building and Borrowing

Developers didn't have to continue being as ambitious and could have consolidated their gains.

Instead they borrowed more and built more. And borrowed more and built more.

If only.

First time buyers felt if they didn't get '*on the property ladder*' they would never be able to afford a home. So they borrowed a lot and bought a long way from work. Then spent long hours commuting.

And the politicians thought this was fabulous.

This was 'success'.

Even if homeowners needed larger homes, did they need to borrow to pay for foreign homes, holidays and lifestyle?

If only.

Bankers & Regulators

Bankers & Regulators

Bankers & Regulators

Banks could have been more conservative and less competitive with each other.

Had 'the banks' stuck to their lending guidelines a decade earlier they may not have contributed to an extraordinary property price spiral and a boom which may never have gone out of control.

If only.

Regulators might have increased capital requirements to reign in excessive and imprudent lending and acted more independently with far sharper teeth.

If only.

Confidence may have remained sky high, depositors mightn't have run scared post Lehman Bros and the extraordinarily generous Bank Guarantee may just have been applied to depositors to prevent a 'run'.

Not bonds too.

If only.

Rich Man. Poor Man.

Ireland's then wealthiest businessman Sean Quinn may not have decided to want to own Anglo Irish Bank.

Or profit from its perpetual share price rise.

Just borrow from it.

'Contracts for Difference' have certainly made a difference.

The jobs of the five thousand employees in his various businesses would have been safer.

He would still have his business empire.

He used be worth €3bn. Now he is bankrupt. And still owes Anglo €3bn.

His insurance company has been bought and Anglo own a bit of it.

He used keep a low profile and be respected. Now he is in the news for the wrong reasons. His global assets are being relentlessly pursued.

If only.

Rainy Day

Rainy Day

Rainy Day

Temporary property tax revenues could have been put aside for the rainy day.

Or spent on necessary infrastructure projects such as replacing Victorian waterworks and prefabricated school buildings.

If only.

The Favoured Few

Politicians may have realised that the majority of the people who elected them were actually the more important.

Than the minority of the influential, the wealthy, the developers and the bankers with whom they wine, dine, golfed and associated with, most notably in a tent at the Galway Races.

Maybe their subsequent decisions to bail out banks and save bankrupt developers from bankruptcy were not in fact influenced by prior intimacy with this previous elite.

Maybe or maybe not.

But the optics were all wrong.

The impression of favours for the minority became very apparent.

Did ego and pride replace integrity? While ordinary folk struggle.

If only.

The Favoured Few

Irrespective of the 'influence' that the previously 'influential' had over the governing politicians.

It has been the previously wealthy minority who their subsequent actions have protected.

At the (substantial) expense of the majority.

Most of the 'ordinary' Irish people never even really benefited from the Celtic Tiger

But are now paying for the excesses of a tiny majority.

If only.

Pensions

Pensions

Pensions

Public sector pensions, top-ups and lump sums on retirement mightn't have been so generous

With private sector pensions based on contributions made

Reliant on poorly performing investment markets

Public sector pensions remain linked to final salary

Inflation proofed

Incredibly and extraordinarily public sector pensioners are informally entitled to the 'pay' increases when the current employees receive their increase

Although this informal link was broken when employees not pensioners were cut

Pay may be one method employers use to incentivise the workers

Ireland feels the need to incentivise its pensioners too. But just those who used work for The State. Is this the USSR? More like Utopia

Surely not an IMF assisted state? Austerity?

The Favoured Few

Some public sector 'pay-cuts' were in fact just increased pension contributions which remain modest compared with the final rewards on offer.

Contributions would need to be much greater to match the benefits.

And pensions are paid from 'day to day' revenues.

Proper 'benchmarking' would have allowed for this.

Public officials are even still due 'incremental ' pay increases despite reported 'austerity' measures

Whilst many are unemployed or underemployed and facing genuine financial difficulty

And post-'austerity' government revenues still fall short of 'day to day' expenditure.

If only.

The Favoured Few – Decision Makers?

Far too many of the ingredients of the tough times resulted from poor decision making during the good times.

A tad more integrity and common sense at the time from all involved – government, senior public servants, trade unions, developers, bankers, regulators, real estate agents, citizens-turned-property investors and others.

If only.

It hasn't just been poor decisions that led to the state Ireland is in now.

Non-decisions have also contributed and are most closely associated with the last two national leaders

Both previous finance ministers

Under whom public spending increased and increased

With poor financial control and many high-profile cost over-runs

If only.

Accountable and Responsible?

Yet no-one has been held accountable or accepted responsibility.

The ‘reward’ for poor private sector performance, whether the fault of business owners or not, is business failure, indebtedness, unemployment and bankruptcy.

In contrast the ‘reward’ for poor public sector performance in Ireland invariably appears to be *‘early retirement on full pension’*.

Far more instances of poor performance in senior public sector roles are never reported.

A ‘cover-up culture’ is evident. Non-disclosure appears more important than owning-up and making amends.

Significant Internal audit recommendations appear rarely actioned.

Something needs to change. Soon. (Steps are beginning to be made).

Only a State can spend much more than it earns. And borrow and borrow. The current European Crisis proves there is even a limit to this.

BONDS

Speculative investments

In high flying

High returning

Thus riskier banks

At upper end of a property cycle

And an obvious bubble

Michael Lewis – Vanity Fair – Bondholders expected 50% haircuts

YET REPAID IN FULL USING IRISH STATE FUNDS – Borrowed

ECB not IMF; US Treasury Secretary Timothy Geitner

RISK FREE ASSETS? Not the intention when issued!

Surely a behind the scenes deal whereby Irish State will be refunded

Repaid for little country protecting European and US Banks

Fail to Plan – Plan to Fail

*Last decade little strategic planning or thought
guiding evolution of the economy*

*Attitude towards management of public finances
was cavalier*

Once money was around it was spent

*Tax base decimated by ideological blindness and
short-term thinking and political populism*

Jim Power Economist *Picking up the Pieces* 2009 p149

Economic Mismanagement

Successive governments were prepared to ride the construction boom for all it was worth and

Grow the public sector as if it were the highest value added sector in the economy...

Management of Irish economy deeply flawed lacking disciplines required for small open economy in a monetary union...

Apparent prosperity and bling evident over last decade driven by incredibly high levels of personal debt

Jim Power Economist *Picking up the Pieces* 2009 p149/150/163

Economic Mismanagement

Extremely critical of manner Irish economy managed or not managed between 1997 and 2008...undoubtedly created many problems

Manner in which public spending allowed escalate out of control, failure to ensure value for money, inordinate dependence on construction sector, failure to regulate banking system and pursuance of policies which raised cost of living all contributed to eventual ending of the Irish economic dream

Jim Power Economist *Picking up the Pieces* 2009 p163/4

Ostrich Non-management

Disturbing tendency to bury nation's collective head in sand and not face up to enormity of problems clearly evolving in economy

Most pronounce amongst government and policy-makers who took too long to realise extent of problems

By time they did, it was too late and we have been running to catch up ever since...

Since the crisis erupted, public confidence extremely low

Jim Power Economist *Picking up the Pieces* 2009 p164

Risk (Mis)management

Sensible investment requires managing risk through diversification

As economy became inordinately dependent on construction sector, policies were directed to growing that industry

Recent governments intoxicated by economic and financial riches from construction sector

Foreign Direct Investment, Agrifood, Tourism, Alternative/Renewable Energy, Smart Economy, R&D, Professional Service Exports the future

Jim Power Economist *Picking up the Pieces* 2009 p150

Opportunity Lost

*Since the crisis erupted, public confidence
extremely low*

*Strong feeling didn't fully exploit growth generated
over fifteen years*

Many policy mistakes made

Lot of money wasted

Jim Power Economist *Picking up the Pieces* 2009 p164

Crisis Leadership

- 1 Leader must give impression of being in control*
- 2 Leader must convince people there is a plan*
- 3 Leader must demonstrate that tough decisions will be taken to implement the plan*

We may not like the medicine or agree with the plan, but at least strong decisive leadership would inspire confidence

Such leadership has been sadly lacking in Ireland and no plan evident; Policy seems to be made up on the hoof; Sacrificed quality for quantity

Quality of Life

Sacrificed quality for quantity over last decade

Quality needs to become the byword – of life and economic growth

Growth mustn't be wasted again

Used to improve quality of life of population at large, not just the few

Economic welfare more important than economic growth

A society more important than an economy

But economic growth needed to generate economic welfare and support society

Society

Demise of Celtic Tiger might bring us back to earth

Realise registration plate of cars, addresses and foreign holiday destinations do not define us as a people

Keynes in 1930 thought richer societies would become more leisured ones

Yet discovered people will work harder to afford things they think will make them happy, but don't

Jim Power Economist *Picking up the Pieces* 2009 p166

Status in Society or Rat Race?

Aspiring to higher status in society

Forces people to run faster to keep up

In the end everybody loses out

*People have less leisure and pleasure in their
lives*

Must now go back to first principles

*Start to appreciate the finer – and more simpler –
things in life*

Jim Power Economist *Picking up the Pieces* 2009 p166

Evidence?

Have you seen any evidence of:

Vision?

Leadership?

Integrity?

Communication?

National repair job getting there slowly



DANIEL MCCONNELL

The economy is a little steadier certainly, but some poor decisions have tarnished the Government's record

SHORTLY before he took up the office of finance minister, Michael Noonan made an impassioned speech in the Dail about what he would do to fix Ireland's economy if elected.

"I want the Troika out of here," he said bluntly. "We are a talented, educated accomplished people, well capable of running our own affairs. In the words of Michael Collins: 'give us the future, we have had enough of the past. Give us back our country, to live in, to grow in, to love'."

One year ago, Ireland was a country in dire straits — record unemployment of 14.7 per cent (455,000 people); a non-functioning banking system despite a €70bn plus bailout from taxpayers; record high borrowing costs; a runaway national debt soaring at about €50,000 a minute; mass emigration of young people had returned once again and the domestic economy was in freefall. Five firms were closing every day.

Unable to borrow and with our cash reserves running out, like a desperate alcoholic willing to do anything for his next drink, Ireland was humiliated by our European "partners" into a penal bailout package in November 2010.

Following a historic election result which saw the Green Party eradicated from the national parliament and Fianna Fail decimated to just 20 seats, the Government



MAKING OUR CASE IN EUROPE: Minister for Finance Michael Noonan with former French finance minister Christine Lagarde, now IMF chief

The Government also committed to strongly implementing the Troika programme, deciding that being the best boys in class would be the most advantageous way forward.

Within three weeks of taking office came the successful completion of the bank stress-testing process, €24bn recapitalisation and restructuring of the Irish banks.

While the stress tests were well received internationally, it was overshadowed by a refusal of the European Central Bank (ECB) to put in place a formal lending arrangement for Ireland to avail of cheaper money.

Given the very strict conditions of the programme, the new Government's

bold, daring Jobs Budget promised in the election, it was a Mickey Mouse, PR-driven exercise, which resulted in the Government's €2bn raiding of private pension pots, a move much criticised by private businesses.

Then in July, while on a trip to the US after a meeting with IMF bosses, Michael Noonan said he would be seeking to burn senior bondholders in Anglo Irish Bank and Irish Nationwide.

While winning much praise and support for such a move at home, he was later beaten into submission by the ECB who once again refused to countenance it.

As summer turned to autumn, attention began to shift toward the Government's first Budget

announced cuts have since been reversed under political pressure from jumpy backbenchers.

In a welcome move, the Government has also recognised that Ireland cannot recover unless it deals with its debt crisis at every level.

With this in mind, Justice Minister Alan Shatter three weeks ago announced his new insolvency laws aimed at tackling Ireland's extremely high personal debt levels. Light on detail, and criticised by various vested interests, only time will tell how useful these new laws will be.

But the issue of debt, specifically our national debt, is now the focus of the Irish agenda.

As a result of the bank bailouts, where private debt was landed on the shoulders of taxpayers, Ireland's debt levels remain penal and unsustainable.

Despite repeated requests, Europe has been very slow in fighting Ireland's corner when it has come to our debt. The ECB is once again dragging its heels on restructuring the €3.1bn yearly promissory note bailout fund for the defunct Anglo Irish Bank.

This is the big battle of 2012 for Noonan — getting our debt levels down — and he should be supported in his fight.

Overall, one year on from taking office, with its first Budget passed, the Government's economic record can only be assessed as mixed.

The ship is certainly steadier, and we have backed ourselves away from the edge of disaster at which we found ourselves this time 12 months ago.

"We are not Greece," has been the mantra — Noonan has the T-shirt to prove it — and to a large extent the message has been heard.

The cost of three-year money has dropped from over 21 per cent to just under 5 per cent; unemployment has fallen marginally to 14.2 per cent; mortgage lending has increased for the first time in three years; house prices appear to be bottoming out; the deficit is being reduced steadily and Ireland

2 THE YEAR WE CAME BACK FROM THE EDGE

We're sitting up and taking notice of Enda

The way the Taoiseach is seen to be handling the pressures of office is greatly refreshing

WHEN his predecessor was elected, he never let an opportunity pass to say that it was a great honour for him to be the holder of the office of An Taoiseach. And it is an honour.

In the best of times, or, like now, in the worst, the honour is the same, invested in the office and bestowed upon the holder, all 13 of whom have held it since the foundation of the State.

Having duly, and regularly, acknowledged that honour, Brian Cowen, the 12th, would invariably retreat into himself again, seeing, by a mass of confusions and complications, best unknotted over a pint of beer with his friends. Cowen fought hard with the pressures of the office, was seen to fight with them and to struggle, and then, in full view, for that struggle to get the better of him in the end.

The pressures on Enda Kenny



JODY CORCORAN

are no different, nor for any of the other holders, but it is the manner in which he is seen to deal with them that is so refreshing.

This may seem a small thing. Enda Kenny smiles, he walks to work, he has a pep in his step — but it is not so small, how a man is seen to deal with the pressures placed upon him.

Some people call it leadership. The proof of the pudding will be in the eating, of course. When will we reclaim our sovereignty, and in what circumstance will we find our way again in Europe?

There are other more immediate questions. At what level will the economy begin to recover, and when? How many will have emigrated? How many will be unemployed? Then there is the slow, remorseless implosion on the high street, which continues.

These are such serious issues, with profound implications, the true impact of which may not be fully known or understood for a generation — which does not lessen the impact right now.

It is very real, indeed, what people are living through right now. In terms of policy, the decisions Kenny has taken may be no different from those which Cowen would have taken. It was always going to be thus. If anybody had ever thought otherwise, they were deluding themselves.

Kenny is around as long as any of them in Leinster House, longer in fact; he is what is called the Father of the Dail, the longest-



serving, continuously elected.

If the circumstances were different and he had held power in the years of the Celtic Tiger boom, he too may have led us down the same ruinous path. But that is not the point. He is a politician, the same as any politician. He lives for a vote. For him, for any of them, it is all about the attainment of power first and then, however quickly an afterthought, what to do with it.

He is obsessed with the presentation of image, too — what we call spin, in all of its forms. So what, you may ask, if Kenny walks to work, as it was spun within days of him taking office?

One year on, however, and, well,

we can see that it is important.

It is important that he is at his desk early, with a clear head; that he skips across Merrion Street with all of the enthusiasm of a man half his age; that he receives an award — Person of the Year — in Mayo and, the next morning, is on the pier at Union Hall in west Cork to hug a woman who has lost her husband at sea.

It is important that he flies to New York and home and back to New York again within days, seemingly as fresh and as full of energy for the job at hand, more so certainly than his predecessor and, it could be argued, any of his predecessors, with the possible

exception of This kind of thing, too, and with es beyond t where, thir who has a jd example to

He cuts can be pro the hair ap with a quee In fact, n up and take when he st Obama and rhetoric las his harsher Green almo

How Gilmore became the invisible man of Government



BRENDAN O'CONNOR

THERE are two schools of thought on where it all went wrong for Eamon Gilmore. Some say a loss of confidence and self-preservation. The truth is that with a little bit of both of those, Gilmore went from being touted as Labour's first ever Taoiseach to being the wherever man of this government.

The 'Gilmore for Taoiseach' phenomenon was the slow-motion car crash of last year's election. For

While the Tanaiste resembles a walking ghost, Fine Gael's Leo Varadkar is stuck on the subs' bench

divided and inherently unstable. Labour was looking like the only party in the country in good shape. And so the posters went up. And almost as soon as they were up, the hubris became clear. And they stayed up, those 'Gilmore for Taoiseach' posters, long after the strategy had changed, monuments to the ridiculousness of the moment, stark reminders of how quickly things change in politics. And that, they say, is the



EMAMON GILMORE: Nowhere man

and jettisoned around the world can pay great dividends for this little country of ours.

getting very little back from the State — Leo felt like someone who was fighting their corner.

The last we heard of him he was in Croke Park with the Chinese, in his capacity as Minister for Sport, a title that always jars when you hear it in connection with Leo. Should the Minister for Sport not be some red-faced boozy old fellow? But no, it is Leo, one of the best and brightest of them all. While his Transport brief has seen him get the odd bit of action, like facing down the Dublin Airport Authority, in general Leo feels like a guy who got off being sent to the front due to some gyp in the leg. Even young Brian Hayes got to represent Norman out of

Honeymoon but marriage

Continued from page 1

marks, but he had survived and with that came some grudging respect. It was more than Biffo had ever secured.

ROBBING PRIVATE SECTOR PENSIONS

The honeymoon such as it was certainly ended after the Government's jobs initiative. In a mirror of the performance of the Government in many other areas, this had declined from a budget all the way down risibly, to an initiative.

The salad days of promising billions for New Era-style infrastructure and of burning the bondholders were over. Instead we were now going to pay our debts (or rather the gambling losses of our

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Go Raibh Maith Agat

Like the Oscars, before the music starts, thank you to:

David Duffy ESRI Economic and Social Research Institute

Ciara – PA to CEO IDA IRELAND Industrial Development Authority

Aoife – IBEC Business and Employers Confederation

Karl Whelan - Prof Economics Univ College Dublin

Susan Clarke – Long suffering wife of an idealist cataloguing Ireland's loss of integrity, leadership, values & sovereignty

George & Stephen – EBEN Ireland co-Directors

Mary Robinson & Mary McAleese – Courageous leadership

Ireland's new leaders – primacy of national interest, stronger leadership, greater integrity, better communication – promising start; more required allied to courage and vision