Ireland and the Global Economic Crisis: One Island, Two Different Experiences.

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Introduction

The financial crisis which hit the global economy in 2008 and, more specifically, the responses to it in the industrialised rich world, led not just to a re-moulding of capitalism, but to increased clarity about both the lack of global democracy and what Pilger (2002) has termed 'the new rulers of the world'. Neo-liberal minimalist state regulation of financial institutions, and the economy in general, was replaced by high state interventionist 'austerity' measures, aimed at protecting capitalist financial structures. In the EU, Governments nationalised private debt, spreading the costs across their local communities, largely to ensure that capitalism as an economic structure and ideology was maintained. The 'imagined community' (Anderson, 1983) of the EU and the concept of 'European-ness' (Calligaro, 2013) - used to promote the idea of a greater social and economic union from the 1970s (Armstrong and Anderson, 2007; Sjursen, 2007) - gave way to single state nationalism and cross-national capitalist solidarity as the bigger economies banded together to protect their national interests and in particular the interests of their banks and their bondholders (Fligstein, 2014).

Smaller EU states, having progressively relinquished sovereignty to the larger states, from Maastricht (1992) to Lisbon (2007) to the Euro (2002), in the interests of 'Europeanisation', realised that they no longer controlled their own economies, budgets or fiscal arrangements. Ideological choices appeared limited in smaller states – either accept the new 'austerity' measures, enthusiastically, as the only solution to a global crisis, or accept them, reluctantly.

What Greece's former Finance Minister, Yanis Varoufakis, was to call financial 'terrorism' was in town (Varoufakis, 2015).

In this atmosphere, the two parts of Ireland, North and South[i], were to have different experiences of austerity and of the global crisis, reflecting different social, economic, and political contexts and influences, different forms of democratic control, and different financial arrangements within the EU. This chapter looks at some of these differences focusing first on the South and then on the North.

Austerity and the Irish State.

The Fianna Fáil Government's decision to guarantee and then pay off the private debts of the Irish Banks in 2008 - the result of EU and European Central Bank (ECB) pressure, according to the then Taoiseach, Brian Cowen, (Cowen, 2015) – combined with the onset of global recession and the subsequent Troika loan in 2010, heralded in a long period of 'austerity' in the South of Ireland (Considine, and Dukelow, 2012).

Although largely dictated by the Troika, 'austerity' was generally supported by both the Fianna Fáil (2008-11) and the subsequent Fine Gael-led (2011-16) Governments. Both governments appeared to take the approach that austerity was the best policy for the state, not because they felt so ideologically, but because that was what the Troika and their economic advisors were saying. This doesn't mean that 'austerity' in the Irish state wasn't 'ideological', it was, since it operated within a Gramscian 'common sense' hegemonic discourse where the few voices on the Left arguing against it were marginalised. However, the Irish state's approach within that ideological hegemonic discourse appeared as pragmatic acceptance of what the powerful were saying and doing - possibly in the hope that this would ultimately position the state favourably within the global economy (dominated by such ideological thinking). There was certainly little in the Government's rhetoric or indeed in the Irish media, to suggest that the discourse of 'austerity' was something that should be rejected. A different discourse did exist, it just wasn't heard in the South of Ireland, other than from the margins. Noble prize-winning economists, Thomas Piketty, Joseph Stiglitz and Paul Krugman, and others (Piketty et al, 2015; Stiglitz, 2015; Krugman, 2015), rejected 'austerity' as a practice and an ideological approach. Indeed, both the US Government under President Obama (2009 – 2016) and the British Labour Government under Prime Minister Brown (2005-10) attempted to develop a different response to the EU's, based on what was termed 'quantitative easing' (basically cancelling Government debt) - using monetary policy to try and stimulate the economy (Blyth, 2015). Neither Britain nor the USA was in the Eurozone, providing more freedom to make decisions relating to monetary policy. Brown, however, was voted out of power in 2010, and a new Conservative-led Coalition, took office in Britain, ideologically committed to a programme of 'austerity'.

The Irish Government, in the Eurozone, and lacking the greater financial independence of the USA or Britain, were forced to hand over tight control of the budget, fiscal arrangements and public expenditure, to the Troika, which supervised large scale cuts to public expenditure, services and benefits, increased privatisation and the introduction of a range of new regressive taxation measures, ultimately disproportionately affecting the poorer sections of society (ESRI, 2015; Collins, 2014; IHREC, 2015). Eurozone membership rules requiring Governments to keep a budget deficit of less than 3% of their GDP and a debt ratio of less than 60% of GDP (ECB, 2015), not only ensured 'austerity' in terms of public expenditure it also ensured further privatisation of services into the future by limiting Government borrowing for future growth or public investment in the provision for need.

The total cost of the Irish state's bank bailout was estimated in 2012 at €62.8bn (Whelan 2012:471). Indeed Taft (2013) estimated that up to 2013, the Irish state paid for 42% of the total cost of the European banking crisis, equivalent to €9,000 per person compared to an EU average of €192 per person. Austerity measures meant that from 2008 to 2014 there were €19bn in public spending cuts and €11bn in tax increases (Goodbody, 2014; Healy 2015a). As a result, unemployment in the Irish state increased to a peak of 15% in 2012 (CSO, 2015a), underemployment increased to a peak of 25.8% in 2012, (Healy, 2015b), wages decreased (CSO, 2015b) and deprivation rates increased (CSO, 2015c). Emigration increased dramatically, particularly amongst the younger sections of society, with a net outward migration of Irish nationals for the first time since the onset of the Celtic Tiger. In 2012 the Irish state had the highest emigration rate in the EU with a net outward migration rate of 7.6 per thousand. From 2008-13 nearly 475,000 people (out of a total population of 4.6m) left the state, 65% of whom were aged 20-34 (Taft, 2015; Healy, 2015c). The 20-24 age group in particular suffered high levels of unemployment - 19.6% in 2015, which was then twice the national average of 9.8% - and cuts to benefits (Taft, 2015). Whilst an estimated total of 338,000 came to Ireland as immigrants from 2008-14 (whether as returned Irish emigrants or as new non-Irish immigrants), net emigration by Irish nationals in the period May 2009-April 2014, amounted to 124,000, (CSO, 2014).

The public sector, already regarded as quite small by OECD standards (OECD, 2007; OECD 2008; NESC, 2005) was cut from its peak of 320,000 in 2008, to 287,780 in 2013, a drop of 10 per cent, and the public service pay-bill was reduced by over 20% from 2009-2015 (IPA, 2014, Dept. of Public Expenditure and Reform, 2015). Public sector employment in the Irish state represented about 18% of the total workforce in 2014 compared to 31% in the North (McCarthy, 2015).

Meanwhile, the annual cost of interest on the national debt was expected to be almost €6.8bn, in 2016, and that was expected to remain more-or-less at the same level until 2020 (Social Justice Ireland, 2015). All this is in a state with a population of just over 4.6m.

The global financial and economic crisis from 2008 led to the onset of 'austerity' measures in the Irish state which had massive repercussions for the population, particularly the poorer sections. A pragmatic adherence to a dominant ideological approach directed policy decisions and choices made by the state in a world dominated by global finance. In the North of Ireland, where a new devolved administration had just been re-established since 2007, the situation was more complex and indeed different.

Differences: North and South

While the Irish state has its own government with its own apparent control over policy and budgets (within the confines placed on it by the global financial crisis, globalisation and membership of the EU and the Euro), the North has never experienced any similar degree of control or autonomy. The South was able to divest itself of British political and economic control from the 1920s on, particularly as new relationships began to develop with the EU after 1973. The North, however, despite obtaining a substantial degree of devolution, has maintained a dependent neo-colonial relationship with Britain, sometimes to its advantage in terms of resources and social policy development. This control has often shaped social policy practice and approach in the North.

In the aftermath of the Belfast/Good Friday Agreement in 1998 a new power-sharing Executive was established in the North with a wide range of discretion over public expenditure in devolved matters like health and social services, and education (although not in relation to defence, national security, fiscal matters, or foreign affairs). However, that discretion had to be exercised within a budget greatly limited by a Block Grant decided upon by the Westminster Government, and with limited alternative means of raising extra revenue.

Additionally, unlike any of the Coalition Governments in the South, the new Executive was a 'mandatory' coalition of nationalist and unionist representatives, parties who had been and continued to be bitter enemies, who did not share a common ideological or political outlook or end-goals. They did not agree on the constitutional future of the North, on the conflict-ridden past or indeed about how to address the legacy of that past to help resolve present day conflicts. Most of all they did not trust one another. Despite the difficulties reaching agreement on policy and approach a refusal by the main parties to participate would cause the Executive to fall. That in turn had potential repercussions over and above personal and political interests. It could lead to another period of Direct Rule from Westminster with all power now placed in the hands of British ministers – whom neither side trusted either! It could also lead to increased instability and could threaten an already shaky peace process.

One further and more fundamentally important difference exists between North and South. In the South, despite the divisions which developed with the 'War of Independence', the Treaty and the Civil War, divisions which had long-lasting political and social effects, the vast majority of the population grew to support and identify with the new state, its Constitution, and its structures. The Irish state, thus successfully created a united identity amongst its population, which despite religious, gender, class and increasingly ethnic differences, provided a relatively integrated society, identifying with that state.

In the new Northern Ireland), on the other hand, established in 1921, the one-third Catholic nationalist minority now living within its borders, rejected the entity for most its existence. The process of colonisation in the 17th and 18th centuries had established a categorisation of differential citizenship based on ethno-religious grounds, reinforcing a sense of loss and resentment amongst the Catholic Irish and a sense of superiority and siege among the Protestant colonists (Corish, 1981). By the time of Partition a type of economic, social, cultural and political apartheid had evolved in the North and while many working class and rural Protestants suffered poverty and deprivation, Catholics generally occupied a much more disadvantaged position. Partition was to reinforce and reproduce the disadvantaged state of the Catholic nationalists – through the experience of discrimination, gerrymandering and intimidation (Aunger, 1976; Farrell, 1976; Darby, 1986). It also ensured almost continuous conflict, both violent and non-violent, throughout the existence of Northern Ireland. It led eventually to nearly 30 years of violent conflict from the late 1960s until the late 1990s. During that time nearly 4,000 people died from all sides/communities and many more were injured, (McKitterick et al, 2004) while thousands lost their homes (Darby, 1986) and an estimated 40,000 were imprisoned (Jamieson et al, 2010)

It is this conflict which made focus, let alone agreement or united action, on matters like social policy difficult to achieve in Northern Ireland. It is also this conflict which influenced developments or otherwise in social policy in Northern Ireland, throughout its existence, whether in the days of sectarian discrimination during the old Unionist dominated Stormont regime, 1921-72, or the Direct Rule years, 1972-99 and 2002-7, when security considerations and later the needs of the peace process often influenced British policy developments, or the periods of the new power-sharing Executive, 1999-2002 and from 2007 on, where the political conflict and its legacy continued to dominate debate.

It was to be the new Conservative-led Government in Westminster in 2010 which was to break the mould somewhat in relation to the North, by ignoring concerns about stability, security and conflict there, in the pursuit of an ideological commitment to austerity.

The Impact of the Global Recession in N. Ireland

The unravelling global economic crisis, from 2008 on, was felt in Northern Ireland as elsewhere, with a decline in the local economy and an increase in unemployment (DETINI, 2015a). However, the North did not suffer on the same scale as the South. Unemployment peaked at a 15 years high of 8.5% in 2013, compared to 15% in the South. When unemployment in the North had dropped to 6.2% in September 2015 (when the UK average was 5.5%), this compared to a rate of 9.7% in the South, and an EU average of 9.6% (DETINI, 2015b). One major reason for all this was that Northern Ireland did not suffer the same levels of 'austerity' cuts, experienced by the South in the early years of the crisis. The UK was not in the Eurozone and the British Labour Government had under Prime Minister Brown (2005-10) attempted to develop a different response to the crisis, based on what was termed 'quantitative easing". 'Austerity' and accompanying public expenditure cuts only began to make a serious impact after the election in Britain in 2010 of a Conservative –led Coalition, followed by a Conservative Government in 2015, ideologically committed to 'austerity'.

In its Spending Review in October 2010, the Coalition Government announced that Whitehall departmental budgets, other than health, education and overseas aid, would be reduced by an average of 19 per cent over the four year Spending Review period. In Northern Ireland this resulted in cuts of 8% and 40% respectively to the resource (day to day spending) and capital parts of the Northern Ireland Block Grant (see below) and a cut in the overall Grant of £1.5bn

(2010-15), leading to cuts in services and provision (N.I. Executive, 2011). A further cut of £1.3bn in the Block Grant was also anticipated up to 2019. All services suffered cuts. One policy impact was an attempt to amalgamate small schools to save on resources in Education. Grass verges were not cut and potholes were not filled in on roads.

By 2015, cuts to the higher education budget had led to planned redundancies and early retirement in the sector. In August, the University of Ulster announced a cut in staff of 210 and a cut in 1,200 student places (Irish Times, 2015). Similar cuts were made at Queens University and in the wider Further Education sector. Further cuts were expected up until 2018 and these were impacted by increasing 'fines' imposed by Westminster as a result of the Executive's refusal to extend the 2012 Welfare Reform Act to the North (see below). By late 2015, not only was 'austerity' increasingly beginning to bite in the North, it was adding to a growing political crisis which threatened the new power-sharing institutions and potentially the peace process itself.

The Northern Ireland Executive and the Peace Process

The 1998 Belfast/Good Friday Agreement had supposedly heralded in a new dawn for Northern Ireland politics, bringing to an end, decades and even centuries of conflict. However, the Agreement fudged many issues and left many others unresolved. Besides this, none of the major Unionist parties, representing the majority population, had ever been enthusiastic about it (McAllister et al, 2005). The 'constructive ambiguity' of the Agreement allowed bitter enemies to each claim 'victory', while at the same time continuing to work politically to achieve their (hugely different) end goals. What it did not do was create an agreement on those end goals, or even the causes of the conflict. It certainly did not produce an agreed narrative on what had been and was taking place.

The Agreement itself became a site of struggle over interpretation and implementation. The result was that the institutions created by the Agreement, in particular the mandatory power sharing (between nationalists and unionists) Executive, stumbled from one crisis to another. Direct rule from Westminster was eventually re-imposed from 2002-2007 and while a new power-sharing Executive emerged in 2007 it found it difficult to agree on anything substantive.

Due to the need to get cross-party consensus on issues, including social policy, some analysts have argued that this often led to policy being reduced to the politics of 'the lowest common denominator' and invariably reflecting conservative social values. McLaughlin (2005), for example, felt that the need to find a consensus led to the 'unambiguously deserving poor', including children and older people, becoming the groups that benefited most from the devolved administration.

Others, like McCann (2006), argued that the emphasis on cross-community support in the structures meant that there was no incentive for budding politicians to try to promote themselves as cross-community (since power lies in belonging to one 'community designation' or another). He also suggested that politicians in the Assembly were only interested in making appeals to their own 'community' constituency as a result.

Whilst this may be true, the arrangements also reflected the divided nature of the society. Given the in-built Unionist majority in Northern Ireland and their experience of Unionist majority rule it was unlikely that the SDLP, much less Sinn Féin, would have agreed to anything less. Neither the Unionists (who would have preferred majority rule) nor the republicans (who would have preferred an end to the union with Britain altogether and a re-united Ireland) were happy with the arrangements, but that was all that was on offer. More importantly neither of them trusted one another to rule alone!

Despite the political instability after the Belfast Agreement, and probably because of it, the peace process led to a major injection of funding for both public and voluntary/community sector projects. The EU Peace Programmes supplemented other EU and British Government funding as well as funding from major philanthropic donors like Atlantic Philanthropies. Private investments appeared to be on the increase with the renewed confidence in the peace and a buoyant UK, Irish and global economy. From the late 1990s to the mid-2000s, Northern Ireland experienced one of the most prosperous periods in its history, with historically low levels of unemployment and increased job opportunities. Indeed for a number of years up until 2005 unemployment rates, usually the highest in the UK were actually lower than the UK average. Since 2005, the unemployment rate in Northern Ireland has been similar to the UK average (NISRA, 2015a).

Although the Northern economy did not reach the heights of the Celtic Tiger in the South there was a boom of sorts. Between 2000 and 2009 the average rate of growth in the North was actually marginally above that of the UK as a whole -5.5% compared to 5.4% - although this had dropped to 2% by 2009 (N.I. Executive, 2011). This added to an air of optimism which contrasted with the lack of political progress at Stormont and on the ground.

By the mid-2000s, progress also seemed to have been made in relation to tackling religious imbalances in employment and other areas. Throughout the 1980s and 1990s evidence from Government and academics had shown that Catholics remained relatively worse off than Protestants in Northern Ireland according to most socio-economic indicators - employment, housing, education and health. They were disproportionately less likely to be managers or in professional jobs. They were also 2.5 times as likely to be unemployed as Protestants, with an unemployment rate of 30% in 1981 and 35% in 1984 compared to 12% and 13% respectively, for Protestants (S.A.C.H.R., 1987; Smith and Chambers, 1991). The

Continuous Household Survey in 1993 reported that from 1985-91 Catholics were twice are likely as Protestants to be dependent on means tested benefits like Income Support and Family Credit and, still, 2.5 times more likely to be unemployed (PPRU, 1993).

New equality legislation in 1989 and in 1998 (associated with the Belfast Agreement), combined with affirmative action programmes in the large public sector, where the state had a large input into recruitment practices, plus the decline in the traditional sectors of Protestant employment - Shipbuilding, Engineering and Security - led to significant changes in employment patterns and a greater balancing in employment opportunities began to emerge between the two communities (Equality Commission N.I., 2012). There was also evidence of a growing Catholic middle class. There was increasing concern that some working class Protestant areas like the Shankill Road and parts of East Belfast, traditionally reliant on the old engineering industry were exhibiting relatively high levels of unemployment and low levels of educational attainment (Northern Ireland Assembly, 2011). However, despite this, Catholics were still disproportionately found among the poorer sectors of society and living in the most deprived areas - 16 out of the 20 most disadvantaged wards were Catholic in 2010 (NISRA, 2010).

Despite the financial crises unfolding in 2007/8, the power-sharing Executive's 2008-11 Budget and the Programme for Government, showed signs of optimism for the future. The Office of the First Minister and Deputy First Minister kept the anti-poverty strategy developed in 2006 under Direct Rule, a strategy developed by the 'New Labour' Government, setting targets to end poverty and social exclusion by 2020 (OFMDFM, 2006). It also published a child poverty strategy in March 2011 to augment this. Although the then British Labour Government introduced some austerity measures from 2008, the impact of austerity didn't start to affect the Executive until a new Conservative-led Coalition took power in Westminster in 2010.

However, disagreements over a range of issues continued, from how to deal with the 'legacy of the conflict', to 'culture and identity' issues, and policing and justice issues and social policy innovation or development were limited. According to Birrell and Gray (2010) out of 27 Acts passed from 2007-10 only 6 related to social policy areas which had been devolved. The areas where the Executive found most agreement related to the extension of Westminster legislation, such as Pension legislation in 2008, the copying of policy legislation in Scotland and Wales, or populist measures like the abolition of prescription charges, a rates (council tax) freeze and the decision to postpone the introduction of water charges (Birrell and Gray, 2010), as well as the freezing of University fees in 2012 (NIDirect, 2012). Gray and Horgan, (2010) argued, however, that there were many areas of social policy where Northern Ireland still lagged behind other parts of the UK, such as in relation to the development of a Childcare Strategy.

The Stalemate over Welfare Cuts

In 2012, after two years of 'austerity' cuts the Welfare Reform Act was introduced in Britain by the Conservative-led Coalition. It was this which was to lead to another political crisis in the Executive in the North, in 2014/15, when the nationalist parties refused to extend the legislation to the North.

The Act had caused widespread controversy in Britain, with sweeping cuts to welfare benefits, stringent testing for people on disability benefits, increased conditionality for job-seekers' benefits and a benefits cap. For example, Disability Living Allowance (DLA) was to be replaced with 'Personal Independence Payment' but this included more stringent testing, while Universal Credit was to replace a host of other benefits but with increased conditions attached. The aim was to take as many people as possible off benefits as a result. Probably most controversial was the introduction of what became known as, the ‘bedroom tax’ whereby people’s housing benefit was reduced if it was deemed their dwelling had more bedrooms than they required!

With, historically lower rates of pay and higher rates of unemployment, poverty, disability, long-term illness and dependence on benefits (NISRA, 2015a; NISRA, 2015b), the extension of the Act to Northern Ireland caused concern, especially to the nationalist parties who tended to represent a disproportionately greater number of constituents from the poorer sectors of society. The tests for those on disability benefits were particularly worrying. In 2015, amongst 16-64 year olds, 27% were economically inactive (unable to work due to disability/illness or caring responsibilities) compared to 22% in the UK (DETINI, 2015b). There were also more claimants of Disability Living Allowance than anywhere else in the UK. In 2010 there were 183,710 DLA claimants in Northern Ireland, with a rate of 102.7 claimants per 1,000 members of the population, compared to 49.6 in England, 65.9 in Scotland and 80.7 in Wales (Carson, 2011). Just over one in 10 of the population in Northern Ireland were in receipt of DLA in 2014 (DSD, 2014).

Besides all this, a number of academic reports also highlighted some of the adverse effects of the Act in England and the potential impact if it was extended to the North (Browne, 2010; MacInnes et al, 2012; Lupton, et al, 2015).

Despite this, ever since Northern Ireland was established in 1920, there had been an historical convention to maintain parity in terms of social security rates, coverage and regulation across the UK, with the UK Government promising to cover any added costs (above taxation raised in the North) via the central Exchequer in London (Birrell, 2009). For example, the Corbyn

Committee (1925) agreed that social security payments should be uniform across the UK, while the post-World War Two Welfare State was extended to Northern Ireland in the face of initial opposition from the ruling conservative Unionist Party, with the inclusion of a commitment from Westminster to cover any extra costs out of general taxation to maintain parity. The welfare state developed the concept of citizenship rights (and expectations) linked to welfare – rights to free healthcare and social care, education and social security supports – a concept which remains under-developed in the South to this day. Since Northern Ireland was historically one of the poorest regions in the UK, this convention on parity had usually in the past been of benefit to the local population.

This is one of the reasons (among others) why a political crisis developed in the North over Welfare Reform after 2012. While the nationalist parties, Sinn Féin and the Social Democratic and Labour Party (SDLP) and the Greens, all of which tend be on the Left of the political spectrum in terms of socio-economic issues, continued to block the extension of the Westminster Welfare Reform Act and benefits cuts to the North, they were opposed by the Unionist parties, which tend to be on the Right. The Unionists argued that there was a tradition of maintaining parity with Westminster on benefits. They also argued that refusing to extend the Welfare cuts to the North would simply mean that extra funding for the uncut benefits would come out of the Block Grant, and that would deny funding for other services (education, social care, etc.) for other (possibly more 'deserving'?) citizens.

Whilst the power-sharing Executive had a wide range of discretion over public expenditure in devolved matters like health and social services, and education, it had virtually no control over raising revenue. Fiscal policy remained in the hands of Westminster. The main source (93%) of funding for the Executive was the Block Grant from the Treasury in London. Using the Barnett formula, established in 1978, funding was provided from general taxation across the UK, based on population share and comparable spending programmes in England, with the aim of providing parity of service provision and benefits levels across the UK (Northern Ireland Executive, 2011). Although the Grant could be allocated in whichever way the Executive saw fit, if it decided to provide greater services or benefits than in England then it had to reduce spending in some other area. Much of the resource (day to day spending) budget contained in the Block Grant was destined for continuing running costs and salaries in the various public services leaving little room to manoeuvre, unless a dramatic change was made in provision. For example, Health and Social Services accounted for 41% and Education (not including post-secondary) for 19% of the resource budget allocation in 2011-15 (N.I. Executive, 2011).

This refusal to extend the Welfare Act led to the imposition of ‘fines’ by the UK Treasury on the Block Grant of £13m, £87m and £114m, from 2013-15 and more were threatened for every year the Act was not introduced. An attempt to resolve the issue at the Stormont House Talks in December 2014 (held primarily to try and resolve a wide range of outstanding ‘legacy of the conflict’ issues), had led to proposals that involved acceptance of the ‘reforms’ but with agreement to financially compensate anyone whose benefits were cut as a result. This was to be paid for out of loans (agreed by the British Government) and savings from other areas of public expenditure, the selling off of public land and other assets along with public sector redundancies (DFA, 2014). However, the apparent agreement dissipated in February 2015 with bitter recriminations between the DUP and Sinn Féin. Sinn Féin argued that they had been promised that all losses to benefits would be compensated by the deal, while the DUP said that wasn’t possible and that Sinn Féin should have known that at the Talks. The crisis continued into the Autumn of 2015, when it was augmented by allegations of continued IRA activity, and attempts to suspend the workings of Stormont by both major Unionist parties. At the time of writing, talks about the future of Stormont itself were ongoing.

While the crisis at Stormont was unfolding, a provisional budget was agreed based on the cut Block Grant, leading to swinging cuts to all Departments (except Health) and particularly hitting the Higher Education sector. In March 2015, a voluntary redundancy scheme was announced for public sector workers in a range of areas and there were fears of up to 20,000 public sector redundancies (FT, 2015).

An important point to note in this regard is that Northern. Ireland's economy is particularly dependent on the public sector. In 2015 public sector employment per working age adult was higher in Northern Ireland (18%) than in the UK (14%), and private sector employment lower (41%) than the UK (59%) (MacFlynn, (2015a). In 2011 it was estimated that the public sector accounted for 32% of total employment in the North - higher than the UK at 17% or the South at 18% (McCarthy, 2015). Additionally, much of the local private sector was also dependent on public sector spending, with the result that public expenditure represented 62.4% of total output - significantly higher than the 39.8% for the UK as a whole (N.I. Executive, 2011). This has often been highlighted by the Westminster Government, since the onset of 'austerity' in 2010, with claims that Northern Ireland's public sector is 'too big'. Others however, have argued that the 'problem' is rather than the private sector is 'too small'! As a peripheral economy emerging from conflict Northern Ireland had a relatively small private sector with relatively low levels of Foreign Direct Investment (FDI) in comparison to the South. The private economy is dominated by small enterprises with 99% of businesses employing less than 50 people, (similar to the UK figure) and 72% being sole traders, and 97% of firms domestically owned (MacFlynn, 2015b).

In 2015 Northern Ireland had the highest public expenditure in the UK. Although dropping in the face of austerity cuts from £11,408 per head of population in 2009/10 to 10,961 in

2012/13, it was still 23% above the UK average of £8,936 (HMT, 2014). Out of nearly £573bn of UK identifiable spend in 2013-14; England accounted for £467bn, Scotland £55bn, Wales £31bn and Northern Ireland £20bn (HMT, 2014). It's worth noting that Northern Ireland's Block Grant only covered £10.4bn of that expenditure, the rest coming from Westminster based Departments (Northern Ireland Executive, 2011). The impact of public sector and public expenditure cuts was felt to be particularly problematic in an area so dependent on public expenditure for jobs, services and for the local economy.

In May 2015, a new Conservative Government was elected in Westminster promising to end all Government debt by a programme of public expenditure cuts. The Government was not interested in tackling the debt via greater taxation and a spreading of the burden amongst the richer sections of society. Indeed, 'austerity' for the Conservatives seemed less about reducing public debt per say and more about an ideological desire to reduce welfare expenditure and taxation - to cut the size of the welfare state rather than the deficit. One of the main arguments put forward by the Chancellor, George Osborne, in his 'emergency' Budget speech of June 2015, was that reduced welfare and lower taxes were good for the economy, while at the same time increased defence spending was necessary for the security of the state (Osborne, 2015). Twelve billion pounds of cuts in welfare spending were added to the £21bn in cuts already legislated for by the previous Conservative led Government mainly in relation to social security benefits. The welfare cuts would be achieved by concentrating welfare on those considered the deserving poor –'the elderly, the vulnerable and disabled people' – rather than on those considered the undeserving – those able-bodied, particularly the young, who were able to work but instead, spent 'a life on benefits' (Osborne, 2015). 'Austerity' was thus limited to a particular group in society, rather than across the board. In practice however, the cuts to welfare up to 2015 had affected a wide range of vulnerable people, particularly those with disabilities.

Comment [F1]: I'm suggesting leaving this in. What do you think?

There was a of course the question about how 'necessary' it was to have more public expenditure cuts in order to tackle public debt. Brown University economics Professor Mark Blyth, for example, argued that the use of 'quantitative easing' by the Labour Government in 2008-10 rather than 'austerity' has actually stabilised the UK's public debt by 2011 (Blyth, 2015). By 2015, the economy was also growing. While Government debt remained high by post World War Two standards it was a particular ideological perspective to demand that all Government debt be eliminated as soon as possible, regardless of the consequences. It was also an ideological perspective to suggest that that should only be achieved by targeting welfare cuts.

Conclusion

The global economic crisis which emerged in 2008, and, more specifically, the responses to it in the industrialised rich countries of the world, reflected a dominant ideological discourse, which attempted to restore confidence in the capitalist system, by shoring up the failed financial systems, and maintaining the economic and political power of the real rulers of the world. 'Austerity' was a tool in a wider agenda to reassert neoliberalist thinking in the global economy and reject any serious consideration of alternative approaches.

In Ireland, North and South, the experience of the crisis and 'austerity' were different, reflecting different social, economic, and political contexts and influences, as well as different forms of democratic control. As well as major differences in the experience and the extent of the development of welfare (and in particular the development of notions of a ‘right’ to welfare) there have also been major differences in terms of the experience of the economic crisis and different responses to ‘austerity’ and welfare cuts.

While Irish Governments from 2008 on may not themselves have been ideologically driven to promote a new neoliberalist agenda nonetheless they fitted in with that agenda by taking the pragmatic approach of accepting with a large degree of enthusiastic energy the dominant discourse on ‘austerity’, and public sector cuts. Whilst they lacked democratic control they still had choices, even if the choice was simply to raise a protest at the way their state was being treated by the EU and IMF. A pragmatic approach to the powerful seemed the best option. Indeed when the new anti-austerity Government elected in Greece in January 2015 (BBC News, 2015) called on states within the Eurozone to support them, they failed to get the support of the Irish Government or anyone else. The choice was stark for the Greeks, accept the EU austerity package or leave the Eurozone.

Up until 2015, Northern Ireland did not suffer the same level of cuts to the public sector, welfare services and benefits or the same levels of unemployment or emigration, as were experienced in the South. Initially this was because, the Browne Labour Government in Britain opposed wholesale ‘austerity’ as the way out of the crisis. The elections of Governments in 2010 and 2015 committed to ‘austerity’ however meant that the North was then to experience in a probably much more brutal way the sharp end of ‘austerity’ from 2010 and especially from 2015 onwards. Lack of democratic control in the North was made particularly obvious along with the lack of agreement within the devolved Executive. Lack of agreement is largely linked to the old animosities over the constitutional question, continuing political uncertainty, division and distrust. How ongoing and increasing ‘austerity’ impacts on the peace process is difficult to say at present since there are so many other factors which could create adverse impacts as well.

While the nationalist parties in the North made some sort of a stand against ‘austerity’, their limited power seemed unlikely by itself to be able to challenge indefinitely, the attempts by the Cameron Government to roll back further the welfare state and promote a new neoliberalist agenda.

Despite this, there have been signs in recent months of a challenge to the austerity agenda and the roll back of state responsibility for welfare in Britain, Ireland and other parts of Europe. The dramatic election of Jeremy Corbyn, as Leader of the British Labour Party and the rise of anti-austerity political parties in Spain, Catalonia, the Basque Country, Greece and in the South of Ireland, all suggest that alternatives exist out there if people want them. There is also the possibility that faced with such political challenges others currently accepting the ‘austerity’ discourse but not strongly ideologically committed to the new neoliberalist dismantling of state welfare may make a stand against it, especially as the global economy begins to improve, and tax revenues increase. The only thing that is certain is that people have agency. They are not mere passive observers of unfolding events. The approaching 100th Anniversary of the 1916 Uprising reminds us of that. It also reminds us that nothing is permanent whether in terms of the restructuring of the capitalist economy or the organisation of welfare provision.

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[i] Terminology is controversial on the island of Ireland. Nationalists usually refer to 'the North' and 'the South' for example, reflecting their desire for unification. Unionists, who want to maintain separation usually use the official constitutional terms for those entities, 'Northern Ireland' and 'Ireland' although 'Ireland' is also the name of the island. In this chapter the terms 'Northern Ireland' and 'Irish state' will be used interchangeably with 'North' and 'South', to distinguish between the two entities (and the island) with no intention of insult to any tradition.