

Article For Sunday Independent By Michael McDowell 10th April 2011

I hope that I am not too wary. I heard Michael Noonan say on TV on Friday that the Irish “corporate tax rate” was a “vital national interest” on which there would be no give. I wholly agree. Should I feel re-assured? When Enda Kenny had said last month that the Common Consolidated Corporate Tax Base was “harmonisation by the back door”, I was re-assured. But Noonan didn’t mention the CCCTB in his reported remarks. I hope that we are not seeing the beginnings of a Government back-down on this issue. This is a matter on which the Government must be monitored very closely indeed.

Schadenfreude in relation to Portugal is inappropriate. We are not on our own in the EU. We may feel like damaged goods in the eyes of the EU establishment, and in many ways we are. But we should remember that part of the “architecture of the Euro” was a hierarchical European Central Bank structure in which national Central Banks were made autonomous and independent of government direction at a national level.

The prudential functions of the Irish Central Bank were incorporated into the ECB autonomous prudential structure. The unspeakable incompetence which we now know characterised the Irish Central Bank’s prudential supervision of the commercial banks is of course the primary liability of those personally involved. The most senior culprits were given enormous golden handshakes and discreetly shown out the back-door at Dame Street. The bulk of the officer corps remained at their desks.

The ECB hierarchy was supposed to oversee prudential regulation by the Member State central banks. As John Bruton recently pointed out, this ECB prudential role simply never happened. And the property bubble was “banked” by institutions which didn’t even receive a “featherduster-ing” in terms of prudential supervision and stress testing. In June 2007, the Irish Central bank claimed that it had stress-tested the Irish Banks and that they were in robust shape vis-a-vis their property exposure. This is now seen as a sick joke. We now know that the Irish Central Bank at no relevant stage used its powers even to ask each Bank in confidence to supply the names and liabilities of its developer borrowers so that the Central Bank itself could see whether a small number of borrowers were leveraging the bubble with inflated borrowings across the banking sector. If that elementary step had been taken, even the somnolent watch-dog of dame Street might have emitted a bark from the comfort of its basket.

Precisely what supervision did the INBS receive from the Irish Regulator? Precisely what oversight or quality control did the ECB carry out over the prudential supervision of the Irish Central bank?

Our crisis is one in which we can legitimately claim that there was a shared responsibility with the EU. If our Central Bank was as a matter of EU law free from Irish government direction, control and accountability on prudential matters, it must follow that the ECB shares in the responsibility for the prudential regulatory failure in respect of the Irish banking system and its consequences.

The travails of Portugal may have postponed dealing with our problems. But there is now a growing consensus that the EU-IMF Irish bail-out package will not work and that its terms are simply

irreconcilable with the economic growth required to make it sustainable. And unless within weeks this yawning gap between realities is addressed, there will be a further, catastrophic loss of confidence both inside and outside Ireland, leading in turn to an accelerating spiral of economic austerity and contraction. We are in a crisis now. We need a way out of the spiral to default. The EU needs that way out as badly as we do. We have to wake up and smell the cyanide.

There are big things in life and small things in life, judged over time. Whatever offensive crudities were spoken in a squad car in Mayo, we, as a nation need to get the gas ashore in Mayo. If the loony Shell-to-Sea campaign succeeds, Ireland will suffer irreparable damage. In a year's time we will look back on these weeks and ask whether we were focussed on the big picture.

We need statesmanship now more than ever. If we have statesmen in our government, they will see the difference between the big and the small. They will face up now to the major fiscal issues including expenditure, university fees, local government residential charges, the Croke Park deal, payment of increments, and many other things.

They will abandon the ludicrous pretence that mangling the Constitution by scrapping the Seanad is part of the solution. If the Seanad costs too much, cut pay and expenses to practically nothing. Good people would still like to serve there in a reformed legislative process. If the wrong people are in the Seanad, replace the ridiculous laws enacted by the Dail which led to that state of affairs.

But don't call us to the ballot box with gimmick referenda while the ship is burning. There is a bloody nose waiting for those who would patronise us in this way.