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Austerity is a Scam: Crisis Legislation and Dodgy Debt Repayment Schemes

Promissory Notes to Government Bonds

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Austerity is a sham. Debt is economics for the 'little people'. If the people produce the wealth then why are they always poor and/or paying back debts? Because the national and international wealthy lend us back the money (with interest) they have taken out of society in the form of profits to fill in the gap they created in the first place. Thus we are triply exploited: We are taxed on wages, alienated from wealth created (profits) and we pay interest on the money borrowed from the wealthy to pay for the capital and current expenditure needed for the maintenance of society.

When there is an economic crisis caused by this constant draining of the wealth from the economy, the 'experts' then debate the best way to impose cutbacks to get us back on to 'the road to recovery'. This would be funny if so many people were not caught up in the sea of unemployment and subsistence living. Furthermore, any rejection of these 'debts' will not be countenanced by the elites who oversee the 'debt repayments' by the 'little people'.

If one form of debt repayment (promissory notes) is seen to be dodgy and possibly unsustainable (due to legalities or public repugnance) then legislation is rushed in overnight to convert the 'debt' in to a more acceptable form – the government bond. That was the situation this week in Dublin. How did this come about?

"In 2010 the banks that were then Anglo Irish Bank and Irish Nationwide (now Irish Bank Resolution Corporation or IBRC) required around €30.06 billion in additional cash from the State because of their perilous state in the aftermath of the collapse of the property market.

Finance minister Brian Lenihan wrote a promissory note to the IBRC – basically saying "We owe you €31 billion" – which the bank used as collateral to borrow from the Cental Bank of Ireland's emergency liquidity assistance (ELA) fund. Under the agreement, the State agreed to pay €3.06 billion every year to the IBRC until 2023 and smaller payments after that to satisfy the principal and the interest.

But creating cash or monetary financing is a no-no as far as the European Central Bank (ECB) is concerned. Its founding principles – the Maastricht Treaty – dictate that EU member states cannot finance their public deficits by printing money.

As Stephen Donnelly, who has been vehemently opposed to the promissory notes, points out: "[It] would certainly have run afoul of Europe's two directives: That no European bank would fail and that the potential losses and lost profits of senior investors would be paid in full by the public."

One of the options put on the table by Ireland has been to swap the notes for a long-term government bond – possibly sourced from the ESM – with the repayments spread over 40 years. What's all this about? Well our dear Taoiseach Enda Kenny probably describes it best when he recently said it would be like switching "from a serious overdraft to a long-term, low-interest mortgage"."

You see, the appalling vista for the ECB would be the loss of control over the supply of money and the knock-on effect this would have on the markets if every government in the EU were to do the same. Therefore, bonds-for-notes legislation was brought in overnight in Dublin to wind up the IBRC and put the repayments on a more stable, 'normalised' footing. The Taoiseach Enda Kenny told *"the Dáil:*

> "The first principal payment on these bonds will be made in 25 years time, 2038, with the final payment being made in 2053. The average maturity of these bonds will be over 34 years rather than the 7 – 8 years on a promissory note." The average interest rate on these bonds will be 3 per cent, compared to 8 per cent on the promissory notes."

Sure the children and the grandchildren of the 'little people' can pay the 'debt' instead! This was confirmed by the Minister for Finance Michael Noonan who said that the deal on bank debt secured by the Government "eases the burden on everybody" (except their unsuspecting children).

The Anglo: Not Our Debt campaign spokesperson, Andy Storey, described the debt as "illegitimate – it was accrued to pay off the speculators who gambled their money on a dodgy bank now under criminal investigation, it is not the debt of ordinary people and should under no circumstances be reclassified as 'sovereign'". He also stated that rushing "emergency legislation through the Dáil and Seanad this evening on this basis, this would be "devious and undemocratic – instead of having a proper, informed debate about this hugely serious issue the government would be railroading through legislation that would see people living in Ireland take formal responsibility for debts that are not theirs to pay"."

As if that wasn't bad enough, Eurostat, the EU Commission's data agency, has calculated the cost of the banking crisis in each EU country and according to Michael Taft, Ireland just edges "out Germany for the dubious title of spending the most on the banking crisis. €41 billion to date according to the Eurostat accounting data (this doesn't count the billions ploughed into the covered banks from our National Pension Reserve Fund as this was not counted as a 'cost' to the General Government budget). […]The European banking crisis to date has cost every individual in Ireland nearly €9,000 each. The average throughout the EU is €192 per capita. […] The Irish people have paid 42 percent of the total cost of the European banking crisis."

It's no wonder Angela Merkel declared that Ireland was a "special case" for a bank debt deal. To revise Churchill's famous words – 'Never was so much owed by so few to so many'.

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