THE IRISH 2010 BAILOUT PROGRAMME

BACHELOR THESIS

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Abstract

The economic crisis of 2008 struck, the until then known “Celtic Tiger”, hard. Six of the major Irish banks were on the brink of bankruptcy and had to be refinanced with public funds. In 2010, the situation became unbearable and the Irish government officially requested a bailout loan from the European Financial Stability Facility (EFSF), the European Financial Stability Mechanism (EFSM) and the International Monetary Fund (IMF). Since then, Ireland had to go through a period characterized by very strict austerity policies and structural reforms imposed by the lending parties. With the help of the Liberal Intergovernmentalism theory by Andrew Moravcsik (1993), this research tries to uncover how Ireland managed its external obligations with its domestic preferences. This study will stress Liberal Intergovernmentalism to its limits since it is expected that, contrary to what Liberal Intergovernmentalism would predict, domestic interest groups preferences where anathema to following the strict rules imposed by the lending parties.

Introduction

The Irish crisis began in 2007 when the housing bubble burst and consequently real estate prices collapsed. In Ireland, the real estate prices had roughly quadrupled in the period from 1997 to 2006 fuelled by the heavy investments that Irish banks operated by providing cheap mortgages. When the bubble burst, many banks in Ireland were on the brink of collapse. In order to prevent the banks from going bankrupt, the Irish government decided to massively support them, by providing unlimited deposit insurance, to restore their solvency (Thorhallsson & Kirby, 2012, p. 802; Donnelly, 2015, p.15). According to Hardiman et al. (2013), this happened under great pressure by the domestic banking interest groups (Hardiman & Regan, 2013). Over 60 billion Euro were invested by the Irish government in its own banking system for it to sustain the economic crisis. In order to issue all this money, the government had to borrow funds on the financial markets. However, investors started losing their trust in the Irish government due to the massive increase in losses the country had to cover. This led the interest rate that Ireland had to pay for each loan to go up, making it very expensive. Meanwhile, Ireland experienced a general economic downturn with rising unemployment. This resulted in Ireland not being able to fund itself anymore which lead the Irish government to ask in 2010 for financial assistance from the Euro Area, the EU and the IMF. The request of Ireland had been accepted unanimously at the EU Council level.

The total amount of money invested in Ireland has been of about 85 billion Euros. Out of these 85 billion Euros, the external support amounted to 67,5 billion Euros of funds lent by the European Financial Stability Facility (EFSF), the European Financial Stabilisation Mechanism (EFSM), the International Monetary Fund (IMF) and bilateral loans from the UK, Sweden and Denmark.

In order to receive financial assistance, Ireland and the lending parties had to agree on the details of the financial assistance programme that had to be implemented. The disbursements of the bailout loan were attached to a few conditions which were negotiated by the European Commission and the IMF on behalf of the lending parties. The conditions are described in the Memorandum of understanding (MoU) signed by both Ireland and the lending parties. In general, Ireland had to agree on implementing three main goals. First of all, Ireland had to implement an adjustment plan to regain fiscal stability which meant heavy and arduous cuts on government spending. Furthermore, Ireland had to improve its financial sector and finally, introduce structural reforms.

This study will analyse how the Irish government formed its policy preferences included in the consolidation plan constrained by the MoU and how successful Ireland was in implementing this. Following the liberal intergovernmentalism theory, the Irish government's position should be shaped by the domestic preference of the interest groups and by the strategic opportunities that present themselves on the international level (Moravcsik, 1993, p. 481). Since the conditions attached to the financial assistance for Ireland were harsh and possibly controversial, it is expected that a strong opposition from national interest groups is to be found at the domestic level. In this sense, the limits of the liberal intergovernmentalist approach will be tested by analysing if it is possible to explain the decisions that the Irish state has taken following this theory.

Research Question

My research question is: "How did Ireland manage the external demands of the EFSF and the Troika, linked to the EFSF bailout loan, with its domestic preferences?"

As an additional sub-question, the paper will try to understand whether the Irish government requested the bailout loan under pressure from domestic interest groups or due to pressure from the international community. This is an explanatory question because the intention is to explain the behaviour of the Irish government regarding the request of the bailout loan and the policy measures that will be implemented after negotiations with the Troika. The research objective is to test whether the liberal intergovernmentalism theory can explain the Irish behaviour or not.

Theoretical Framework

In this section, the underlying theories that will be used to analyse the Irish case will be presented.

The main theory that will be used will be based on the Liberal Intergovernmentalism theory. This approach was first introduced in 1993 by A. Moravcsik in his article *Preferences and power in the European Community: a liberal intergovernmentalist approach* (Moravcsik, 1993).

In the author's opinion, the Irish case is perfect to test the limits of the explanatory power of Liberal Intergovernmentalism. The findings of this paper hold the potential to strongly support this theory, suggest ways on how to improve it or show its weaknesses. No matter the outcome, it could add valuable knowledge.

Liberal intergovernmentalism (LI) relies upon three core elements. First, it assumes that in all contexts, states always behave rationally. This means that governments will know what their preferences are and will act accordingly. However, Moravcsik (1998) states that this is a weak assumption of rationality. Countries´ preferences can still vary across issue, context and time because of exogenous changes that affect the country itself (Moravcsik, 1998, p. 23). Secondly, the theory utilizes a liberal approach at explaining national preference formation and thirdly, it performs/executes an intergovernmentalist analysis of interstate negotiations (Moravcsik, 1993, p. 480). In other words, national preferences are shaped by the economic interests of powerful domestic groups. The state then stipulates international agreements which reflect these preferences and the states bargaining power. (Schimmelfennig, 2015).

LI wants us to focus on the internal affairs first so that we can analyse the international position and behaviour of a country. The strongest domestic forces that shape national preferences are societal groups that stand to gain and lose a great deal (Moravcsik, 1993). However, these interests themselves are subject to national and international influences which reflect the liberal element of this theory. Nonetheless, governments listen and aggregate these interests in order to form preferences, which try to satisfy all internal actors because, just as for other liberal theories, society delegates and/or constraints power to governmental agents. Since governments try to remain in power, they need the support of the domestic voters. The voters' views are communicated through interest groups and parties to the government. National preferences are thus strongly dependent on domestic groups which lobby and influence the government.

National preference formation

According to Moravcsik (1998), national preference formation, for explaining European integration, relies on two major factors: 1) geopolitical interest and ideology, and 2) political economic interests. In this study, the latter is pivotal in understanding the Irish situation.

The political economic interest focuses on the direct consequences of taking certain economic decisions based on political and economic reasons for a country. This means that countries

try to understand whether a unilateral action is possible or a coordinated, multilateral action is required to achieve their preferred outcome (Moravcsik, 1998).
In short, governments evaluate the political and economic actions of working alone or in cooperation with other countries and institutions. Governments thus cooperate with other countries and institutions in order to minimise negative externalities only if they cannot tackle it on their own. However, the political economic preference formation is, according to Moravcsik (1998), strongly biased towards organised domestic interest groups against non-organised interest groups. Moravcsik (1998) indicates that there are three interest groups that are usually most prevalent in national preference and policy formation. These are agricultural, industrial and services interest groups. Their ability to bundle their interests and provide the legislators and governments with information strongly influences the preference formation process. Who are the losers in this fight of interests? According to Moravcsik (1998), these are all the factions within society that are not represented by an organised organisation that bundles and puts their interests forward. These groupings are for example taxpayers, third-country producers, future producers and often also consumers (Moravcsik, 1998, p. 36).

Although it is true that organised interest groups have a strong influence on governments and governmental decisions, these are not enough to explain why governments take certain decisions over others. Governments must also take wider aims and goals that have to be achieved into consideration. According to Moravcsik (1998), societies want the government to guarantee economic efficiency, better regulatory protection and to be fiscally responsible. This means that governments have to adopt and implement economic policies that improve the competitiveness of the national economy. As mentioned above, governments tend to create policies that favour organised interests' groups, however, these policies are still constrained by fiscal limitations and general regulatory objectives. According to Moravcsik (1998), policies regarding agriculture and industry are highly lobbied by organised interests' groups but limited by economic efficiency. Regulatory policies, on the other hand, are more influenced by the public opinion. Finally, in the case of macroeconomic ideas and policies, governments are barley lobbied by organised groups, which grants them more freedom in the decision-making process. However, the performance of other countries can still play a role in the decision process of macroeconomic actions. Here, Schimmelfennig (2015) suggests that usually, material interests have the upper hand over ideological interests. However, Schimmelfennig (2015) also reports that in times of crisis, the material interests and ideologic interests of a state can become heavily intertwined. This can make it very difficult to understand whether it is the material or ideological interest that is being followed (Schimmelfennig, 2015, p. 180).

International bargaining

Once clear preferences are established, the government can act at the international level. Two factors are to be considered at this stage. The first one is domestic or national preferences, while the second one is the bargaining power of the country in question. Assuming they want to maximize their utility, every country will try to exploit all strategic opportunities which it might encounter at the international level (Moravcsik, 1993).

In their book *Power and Interdependence,* Joseph Nye and Robert Keohane (1977) constructed a new "liberal" theory of international relations, which stands largely in contrast to the then prevailing realist approach (Keohane & Nye, 1977). They wanted to understand the relationship between politics and economics. For this purpose, they created a new way of looking at international politics that explained why countries engage and cooperate in international institutions. They introduced the concept of interconnectedness and interdependence which explains why countries must act at the international level. Most interesting for this research, are the sub-concepts of interdependence: sensitivity and vulnerability (Keohane & Nye, 1977). Interdependence exists between countries that are dependent on each other, which means that every action that one country takes will have repercussions on others. As Nye and Keohane (1977) mention, there is an element of power in interdependent relationships which can be described by the two concepts mentioned earlier: sensitivity and vulnerability (Keohane & Nye, 1977, pp. 10, 235-238; Kirby, 2006).

Interdependence sensitivity describes the degree of responsiveness that a country experiences in the face of an external event. Thus, sensitivity describes the extent to which a country is affected by an external event. These external events are usually political, economic or societal in nature and initiated by other countries.

Interdependence vulnerability takes this a step further. It analyses how the country has adjusted to that external event. What kind of options were available and how did the country decide to react? Nye and Keohane (1977) argue that vulnerability is especially important from a political point of view because it emphasises human agency. Furthermore, vulnerability is directly linked with interdependence because countries (or agents) may find themselves constrained by it. This means that other agents could manipulate these constraints (that originate from interdependence) in their favour enhancing their own (political/bargaining) power (Keohane & Nye, 1977, p. 238).

These liberal concepts of power are completely compatible with the liberal intergovernmentalism theory by Moravcsik (1993). Both theories accept that countries have different levels of bargaining power, mainly dependent on their resources and capabilities. However, in contrast to realist theories, each country can exploit some, as Moravcsik (1993) calls them, “strategic opportunities” at the international level. These opportunities arise precisely because of power shifts that can be explained by the concepts of interdependent sensibility and vulnerability.

Ireland’s characteristics

In regard to Ireland, it has to be mentioned that there is evidence that shows that the Irish government placed a lot of attention in maintaining a strong flow of international capital to Ireland. Brazys & Regan (2017) have analysed the fast recovery of Ireland in an attempt to study the reasons behind it. In 2016, Aidan Regan (2016) already showed in an article published by the Washington Post that the Irish government was biased towards international corporations (Regan, 2016).

Regan & Brazys (2017) concluded that the Irish government’s heavy reliance on FDI was mainly based on a strong coordinated strategy between *businesses and state elites* (Regan & Brazys, 2017, p.24).

Thus, the article showed that Ireland’s policies were skewed towards business interests. However, the strategy of mainly attracting FDI to boost economic recovery would in part seem to be in contrast to what LI expects. National interests should come before external interests. This means that special attention should be placed on both domestic and international business interests because they could be intertwined.

These theories will be applied to the Irish case to test whether, under pressure from both international and domestic actors, the state acted accordingly or not. The expectation would be that the domestic interest groups welcomed the bailout loan, while at the same time, finding a strong societal opposition against the very strict austerity policies. At the same time, the assumption would be that the Irish government will do everything possible to try and bend the rules in order to receive the bailout loan tranches and release economic pressure on its society.

Hypotheses

H1. Irish preferences are given by the aggregation of the most important and most organised domestic interest groups.

It is expected that Irish domestic interest groups do not want to lose the economic and social benefits that they experienced before the Crisis and the EFSF bailout loan. Possibly the strongest preferences would be on the one side, restoring the economic efficiency of Ireland and on the other side, not losing any economic and social benefit.

H2. The Irish government´s decisions were a direct consequence of national interest groups preferences based on the popularity and salience of the issue.

Since the government aggregates national preferences, it should put the most commonly shared interests of the aforementioned organised interest groups forward. If the interest is not shared by many interest groups, the interest organisation that exerts the strongest influence on the government preferences, should also be the one losing or gaining the most.

H3. The public opinion had a strong negative view on the austerity rules included in the National Recovery Plan.

It is expected that the public did not like the new austerity rules agreed upon by the lending parties and the Irish government.

H4. Irish domestic interest groups became active and steered the negotiation process.

Interest groups that are strongly organised (banking unions, agricultural and industry trade associations, labour unions) are expected to have been very active during the negotiation phase between the Irish government and the lending parties.

H5. Whenever possible, the Irish government exploits any opportunity to strike beneficial agreements in favour of the domestic interest groups.

At the international level, during the negotiations, it is expected that opportunities arise to sign a better deal due to bargaining and diplomatic capabilities of the countries in question. Whenever possible, it should be visible that Ireland took the chance of receiving a better deal for its society and domestic interest groups.

Methodology

In this chapter, the methods that are being used for this research will be explained. First, the research design will be presented. Secondly, it will be discussed why and how Irish domestic interest groups have been chosen to be analysed. Subsequently, it will be explained how the variables and concepts will be operationalised and the data collected. Finally, it will be shown how the analysis will be able to allow to provide for conclusions.

Research design

Based on empirical data, an explanation of the behaviour of the Irish government and how it has managed the external demands from the EFSF and the Troika with its internal domestic interests will be provided. This research will be a causal study which will try to understand the reasons behind the Irish behaviour. Since the focus will be on Ireland, this will be a single case study. A single case study allows for a deep analysis of the developments that happened in Ireland. In other words, focusing on Ireland could provide a holistic and real-world perspective view in studying state compliance with laws and regulations that seem to go against its national interests (Yin, 2014, p. 4).s

However, it has to be made clear that single case studies lack explanatory power (Lim, 2010, p. 54). This means that they cannot prove theories but just lend additional support to them. According to Lim (2010), doing an in-depth analysis of a deviant case could play, however, an important role of falsification. Peters´ (1998) argument is that science progresses more by findings that might undermine a theory rather than by findings that support a theory (Peters, 1998, p. 40). Furthermore, according to Lim (2010), single case studies could be indispensable for creating more encompassing or/and comprehensive theories.

Hence, a congruence analysis will be done because inferences will be drawn, mainly from the liberal intergovernmentalism theory, and a search for congruence or non-congruence of concrete observations and predictions will be made ("Encyclopedia of Case Study Research," 2010). An important step for enhancing reliability and objectivity will be formulating predictions that should be found according to the theories. Predictions are a very important step because they make it possible to test whether the theories are congruent or non-congruent with the empirical results.

This research is thus very inclined in adding idiographic knowledge because it wants to understand the causal reasons of why Ireland (apparently) complied with the terms presented by the EFSF and the Troika (Babbie, 2013, p. 19).

Case selection

The case that has been selected for this research is the case of Ireland. More specifically, how the Irish interest groups defined and influenced the decisions taken by the government on how to act regarding the external demands of the EFSF and the Troika. This means that the units that will be measured will be the major domestic interest groups in Ireland, the Irish government and the EFSF and the Troika.

The main units of measurement are national interest groups and the Irish government. The domestic interest groups will be chosen and thus are not randomized because they have to coincide with a few criteria. First, the domestic groups chosen must have been active on the topic. They must have had an opinion about the austerity policies of the bailout programme EFSF and the Troika. The available public statements, interviews and, budget submissions and reports will then be analysed. Furthermore, since these policies had an overall impact on Irish society, the collection of data and information will try to cover a wide range of societal actors and representatives.

The data will be gathered from interest groups and important Irish newspapers because their statements are most suitable for understanding what the general opinion of the different societal actors was.

In the next chapter, the chosen interest groups will be analysed in more detail.

Data collection and operationalisation

To analyse the general opinion and preferences of the chosen societal representatives, statements, opinions, articles, interviews, comments and recommendations on how to deal with taxation policies and other government budget-related topics will be analysed. Some associations will probably also target the bailout loan and its terms specific to their sector. However, it is expected that the major discussion will involve the budget cuts that the government has made.

In order to select the newspaper articles, the online archives of the selected Irish newspapers will be used. Here, articles related to the bailout loan, the government policies and the international lenders will be searched for. These newspapers that will be looked at are the Irish Independent, The Irish Times, The Journal, The Herald, Irish Mirror and the Irish Examiner. These newspapers could give thorough information to work with. As mentioned before, some of the major interest groups that will be analysed are Irish trade and labour unions (SIPTU), business interest groups (IBEC), banking federations (BPFI), farmers' associations (IFA).

In order to measure the data, the newspaper articles are going to be categorised in three ways. A newspaper article could be supportive of the governmental activities, neutral or against it. This could give an overview of the general opinion within the country.

However, what is most interesting for this study goes beyond listing the preferences of the domestic actors. In fact, it will try to measure the influence that interest groups had on the Irish government in deciding how to manage the external demands from the EFSF and the Troika. To understand the influence that some domestic actors had on the Irish government, I will look at possible amendments that Ireland proposed to undertake to the bailout agreement (this is the clearest form of influence possible). Other ways of assessing the influence of domestic interest groups can be seen in statements by governmental agencies and budgetary changes to the previously agreed government budget. The EFSF, today ESM (European Stability Mechanism), has published quarterly program reviews and surveillance reports from 2011 to 2018. It will be very interesting to compare the domestic preferences of different interest groups to the achieved goals set by the EFSF and the Troika. This could potentially show how whether domestic preferences reflect themselves into national preferences.

To better understand the satisfaction or dissatisfaction of the ESM (before EFSF) with the Irish financial program, an interview has been conducted with some employees of the ESM that are responsible for following the developments in Ireland. This could give new insights about how the negotiations went and show the influence of the EFSF/ESM on the Irish government. Furthermore, since the negotiations were led behind curtains it is otherwise difficult to find information. This could also be a good opportunity to understand if there were power asymmetries in play.

Since Ireland has to repay the EFSF/ESM tranche of the loan starting from 2029, the analysis will not stop in 2014, when Ireland concluded the bailout programme, but will continue until 2018.

Data analysis

The opinions and positions of the interest groups can thus be measured and categorised through a scale. This will give a simple and general overview of the interest groups preferences. Based on these findings, the analysis will dive deeper in comparing the statements and articles published by the interest groups and Irish newspapers and the actions that the Irish government undertook. Since a long period of time will be analysed, a possible causality is to be expected in domestic interest preferences and government actions. These expectations are all based on the liberal intergovernmentalism theory by Moravcsik (1993).

The National Recovery Plan 2011-2014

The National Recovery Plan came into effect in 2011 till 2014. It was developed by the department of finance and the department of public expenditure and reform. The plan's main goals were to bring back order into the Irish public finances (characterised by strong imbalances and accumulation of public debt) and regain economic growth in the medium term.

In the introduction of the plan, it is stated that this plan was not merely aimed at reducing the budget deficit that Ireland was experiencing because reducing the budget deficit alone would not have solved all the economic difficulties of Ireland. Improving competitiveness and building a strong export-oriented economy is what the Irish government was aspiring to achieve through the National Recovery Plan. In order to do it, investments in key infrastructure projects and education had to be carried out. Barriers to employment needed to be eliminated and job placements for citizens who had lost their jobs after the crisis had to be supported.

With the National Recovery Plan, the government hoped to dispel the uncertainty feeling around Irish finances and regain economic stability. The aim was to boost the confidence of consumers and the willingness of private businesses and the international community to make investments in Ireland (Government of Ireland, *The National Recovery Plan,* 2010, p. 5).

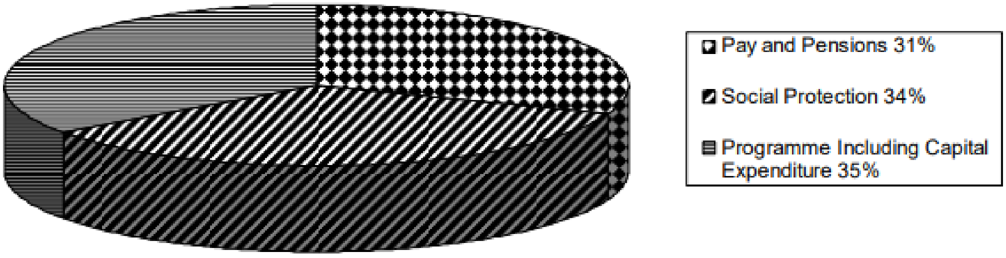
According to the government, the spending reductions included in the National Recovery Plan were necessary because of the rapid increase in the public spending in the years antecedent to the Irish crisis and the consequent improvements in the level and quality of public service provision that could no longer be maintained and sustained by the Irish economy.

The plan foresaw a total of 15 billion Euro adjustment between 2011 and 2014. In 2011 the adjustment was the strongest that allowed the government to reach a saving of 6 billion Euro. After that, 3.6 billion Euro in 2012 and 3.1 billion Euro in 2013 and 2014. The savings mainly had an impact on taxation and governmental expenditure. In total ten billion Euro were raised through spending reductions and five billion Euro were collected through raising taxation (Government of Ireland, *The National Recovery Plan,* 2010, pp. 5-6).

The National Recovery Plan was needed because in 2007 capital taxes and stamp duties yielded four times more than what they yielded in 2010. In the past, too much reliance had been placed on state incomes deriving from the property boom (property tax and VAT). According to the plan, the social provisions and personal taxation could not remain at the same levels. In 2010, the biggest amount of public money was utilised to pay the public service employees and to fund Pensions.

Furthermore, the plan was expected to tackle waste and inefficiencies in the Irish administration. It was already clear that a reduction of the public service pay and social welfare was impossible to avoid, leading to a general lower living standard.

Figure 1 **Broad Composition of Current Expenditure 2010**



Source: (Government of Ireland, *The National Recovery Plan,* 2010, p. 57)

The accumulation of debt couldn't continue because in the long run, at that pace, it would have damaged the public services. As it was, an ever-increasing proportion of tax revenue was being diverted from much-needed public services to pay the interest on the debt which had a first call on the resources. For this reason, it was critical that an immediate and significant reduction was made to the reliance on borrowing to finance the running costs (Government of Ireland, *The National Recovery Plan,* 2010, p. 7).

As displayed by the figure 1, the current expenditures of 2010 were divided roughly into three equal expensive categories which were the public service pay and pensions, social protection and, finally, programmes including capital expenditure.

The plan promised in the introduction that no person, group or sector would have been absolved from the austerity measures that would have improved the economic situation. The measures listed in the national recovery plan were deemed as proportionate (Government of Ireland, *The National Recovery Plan,* 2010, p. 8).

The scale of the spending adjustment to be implemented dictated that investment had to be curtailed. However, the careful funding choices made in the Plan sought to protect core areas of the economic investment such as education, support to the enterprises and innovation for the development of the smart economy. Investment in key social infrastructures such as public transport, hospitals, schools, water and environmental services were also maintained (Government of Ireland, *The National Recovery Plan,* 2010, p. 11).

Finally, in the last paragraphs of the introduction, the government stated that it meant to reaffirm the maintenance of the corporation tax rate at 12.5%. According to the government, this was an important feature of the general Irish industrial policy that had proved to be successful in the past and that would be a major factor for Ireland´s recovery (Government of Ireland, *The National Recovery Plan,* 2010, p. 12).

The Principles for Expenditure Reductions

In order to explain how the plan would impact on the Irish society, the government created seven principles. The Irish government thought that these principles had to be strived to achieve economic growth and reduce public debt (Government of Ireland, *The National Recovery Plan,* 2010, pp. 58-59).

The first principle was about smart capital investments to raise employment. According to the government, capital investments had been for many years in Ireland higher than the EU average. That meant that many investments, that were deemed to be necessary for the Irish economy to start growing again, had already been achieved. For example, the highly discussed Irish infrastructure deficit that hindered trade and investments had already been addressed so capital investments in this area could be diminished without facing strong negative consequences. On the other hand, investments still needed to run high in areas which could generate high employment.

The second principle was lowering public services costs. It was previewed that this principle would be achieved through rigorous evaluation of the performance of the public service sector so as to improve efficiency. Furthermore, the public services pay had to be revised. Many public servants including doctors, nurses, police officers (Gardaí) and other administrative officials were affected by the salaries change. Those changes were however implemented in accordance with the Crook park agreement that had been signed before the National Recovery Plan.

The third principle was making sure that the vulnerable in society would be protected as far as possible. The government was aware that the welfare system was going to be tackled by substantial cuts. However, there was a commitment by the government to redirect all the available resources at those who were most in need.

The fourth principle was restructuring the support levels for the unemployed so as to preserve the incentives of finding another job.

The fifth principle was keeping essential healthcare and education services protected. Healthcare was an important pillar of the Irish society, just as education was, so basic access to both had to be kept operational. Instead, what needed to be tackled were inefficiencies, administrative overheads and reforming of all areas of expenditure so as to receive more benefit for the same amount of money.

The sixth principle aimed at scaling back to affordable levels all other programme expenditure. Here was where most savings were undertaken. Schemes and programmes were closed off and grants and subsidies were reduced.

The seventh principle stated that ministers and public service managers had to prioritise expenditure within cash ceilings. New expenditure levels were introduced and the identification of savings had to be a substantial part of the expenditure management process. Each ministry and department had to identify where savings could be made in their own offices.

Next to the seven principles that the Government has relied upon to create this plan, it also took a number of other considerations into account: the need to boost Irish competitiveness at the international level, the need to enhance the economy's productive capacity, the need to take a long-term view and the need to restore the lost credibility.

These considerations led the government to rely more on decreasing capital expenditure rather than increasing taxes. Investments in education actually rose and key infrastructural projects were maintained. Furthermore, the financial problems had been caused by a large structural deficit that needed to be addressed. Finally, the plan had to be deemed credible by Irish citizens and the international markets (Government of Ireland, *The National Recovery Plan,* 2010, pp. 59-61).

Public service pay costs

As mentioned above, the public service pay was one of the public expenses that needed to be scaled down. It was expected that a decrease in the numbers of employees had to be undertaken. In late 2010, the number of public servants was slightly above 307.000 and after the implementation of the National Recovery Plan, in 2014, the number was expected to go down to an estimate of 294.700 employees (Government of Ireland, *The National Recovery Plan,* 2010, p. 63). More than 12.000 persons lost their jobs between 2011 and 2014. An interesting element that the plan stated was that in all sectors there was a reduction in personnel, except in the education sector which actually increased its staff. Most of the savings came from the reduction in personnel but also through an immediate reduction of 10% on all new entrants' salaries to the public sector. Furthermore, new entrants were able to enter only by starting from the lowest salary possible. The total consolidation measure amounted to 1.2 billion Euros in savings in the whole period from 2011 to 2014. The total expenses were expected to fall from 16 billion in 2010 to 15.9 billion Euros in 2014, mainly because of the decrease in staff (Government of Ireland, *The National Recovery Plan,* 2010, pp. 64-65).

Under the Crooke Park agreement, public servants had accepted to pay a pension levy and had their salaries cut by a combined average of 14%. This had led the government to save an estimated annual amount of 1.8 billion Euros. Furthermore, the Agreement also froze the salaries until 2014 (Government of Ireland, *The National Recovery Plan,* 2010, p. 66).

Administration reforms

Administrative reforms were meant to make the whole system more efficient. The plan foresaw the introduction of a 15-day prompt payment rule in the whole public sector. Suppliers of public agencies had to be paid within these 15 days to avoid delays and improve the efficiency of the departments.

Administrative charges had not to be increased and where possible also reduced. Furthermore, a 25% reduction of the regulatory burden on businesses was expected to be achieved in late 2011.

In order to increase the efficiency of the Irish administration, local authorities were due to implement the recommendations of the Local Government Efficiency Groups (Government of Ireland, *The National Recovery Plan,* 2010, p. 34).

Labour costs

To bring the Irish economy back on a sustainable path, the Irish government had found out that the best way to achieve it was by raising employment. According to the plan, next to productivity and efficient use of resources, unit costs had to be lowered to maintain competitiveness. According to the plan, labour costs were the key costs that needed to be reduced in overall cost competitiveness (Government of Ireland, *The National Recovery Plan,* 2010, p. 35).

The plan stated that the national minimum wage in Ireland was the second highest in absolute terms in the EU and sixth when measured in purchasing power terms. Imposing employers to pay the minimum wage pushed workers that might be willing to work for a lower wage out of the labour market. Especially, younger and less skilled workers were being negatively affected by the minimum wage. For these reasons, the plan foresaw that a minimum wage reduction of one Euro had to take place bringing the minimum wage from 8.65 Euro to 7.65 Euro (Government of Ireland, *The National Recovery Plan,* 2010, p. 36-37).

Social policy

As stated above, the National recovery plan aimed at protecting the vulnerable but at the same time, it wished to stimulate unemployed people to return to the job market and find employment faster.

In order to do so, a few reforms to the welfare system were introduced. First of all, reforms were conceived to stimulate people to look for a job and remain as little as possible unemployed.

Furthermore, the engagement with unemployed people was increased, meaning that more interviews were offered. After three months of no positive result, group interviews were offered as well. Training/Work experiences and other education opportunities were increased in number steadily since 2008. This trend was supported by the national recovery plan. As an example, there was the possibility for up to 2000 persons to work for a period of nine months while still receiving social welfare support (Government of Ireland, *The National Recovery Plan,* 2010, pp. 37-39).

The reductions on social welfare expenditure in the past had already shown that an increased participation by young people in education, training workshops or job placement was possible. For this reason, the plan stated that the receipts of benefit payments had to be made conditional on the participation in the National Employment Action Plan.

The money to finance these measures came from the Activation Fund and the European Globalisation Fund.

On the other hand, the plan wanted to stimulate also employers to hire new personnel. The government created the Employers' PRSI scheme that encouraged employers to recruit people who were unemployed (Government of Ireland, *The National Recovery Plan,* 2010, pp. 39-40).

FDI

Another important pillar with which the plan wanted to strengthen the Irish economy was through more foreign direct investments. This strategy of attracting foreign capital helped the Irish economy to thrive in the past and the government hoped that it would do so again (Government of Ireland, *The National Recovery Plan,* 2010, p. 41).

R&D

According to the plan, R&D, innovation and science were important features of Irish businesses and, only by investing in better and brighter inventions and improvements, Irish businesses could thrive again. In fact, according to the plan, Ireland was already at that time among the top twenty countries worldwide for scientific output.

The plan stated that R&D support and the innovation voucher system had to remain untouched and continue to operate. Enterprise Ireland, a government organisation responsible for the development and growth of Irish businesses, would introduce new effective approaches to provide capital for start-ups and small businesses to deliver direct support for increased innovation and business development.

Finally, the national recovery plan confirmed that innovation also in educational facilities was key to improve Ireland´s situation and committed to providing secondary schools with 100-megabit connectivity. Next, the National Broadband Scheme continued to be implemented and the use of ICT to reduce energy waste was supported (Government of Ireland, *The National Recovery Plan,* 2010, pp. 42-45).

AGRI-FOOD

In the Agri-food sector, the plan foresaw the implementation of most recommendations made by Food Harvest 2020, a committee working under the department of agriculture. Furthermore, the government reconfigured the milk quota scheme, especially with the aim of preparing the dairy sector to the EU abolition of milk quotas in 2015.

The promotion of lean manufacturing to increase economic efficiency and decrease waste in the agri-food sector was also supported by the national recovery plan.

Finally, direct capital support for marketing and processing was offered and consolidation and restructuring measures were supported to increase the competitiveness of the sector (Government of Ireland, *The National Recovery Plan,* 2010, pp. 47-48).

Retail sector

Finally, in support of the retail sector, the government was committed to reduce costs, essentially fixed costs for retail businesses. Some of the measures were the reduction of the minimum wage, the reduction of energy and property costs. Furthermore, the aim to reach a higher domestic consumption was meant to be achieved through measures supporting the tourism sector. In an attempt to reduce waste and inefficiencies, the government committed to reduce the transport times for the delivery of goods due to investments in improving and maintaining public roads (Government of Ireland, *The National Recovery Plan,* 2010, p. 50).

Memorandum of Understanding

The Memorandum of Understanding (MoU) between Ireland and the lending parties was published on the 3rd December 2010 by the European Commission (European Commission, 2010, p. 1). This is the document that set out the criteria by which the Irish developments were being assessed. If Ireland did not meet these targets, then a coordinated action between the lending parties and Ireland would have been necessary. Obviously, the disbursements, which took gradually place until 2014, were dependent on the achievement of the targets defined by the MoU (European Commission, 2010, p. 1).

Just as mentioned in the National Recovery Plan, there were three parts of the Irish economy on which the Irish government had to deliver. First, the government had to implement measures to achieve fiscal consolidation, secondly, financial sector reforms needed to be introduced, and thirdly, structural reforms were required.

The policy measures that were mentioned for each part were very similar to what was stated in the National Recovery Plan. The fiscal consolidation measures written in the MoU stated that social expenditure cuts and reductions in tax reliefs were deemed necessary (e.g. lower pension tax reliefs). Furthermore, the MoU also mentioned the reduction of public service employment (European Commission, 2010, p. 2).

Regarding the financial reforms, the MoU does mention measures that were already included in the National Recovery Plan, such as the extension of the NAMA bank programme to include land and development loans (European Commission, 2010, p. 3), the need to exercise a strict evaluation of liquidity reviews by the Central Bank of Ireland with the support of the ECB, European Commission and the IMF, and the creation of a plan to reduce the reliance on short termed funding by Irish domestic banks (European Commission, 2010, pp. 3-7).

In terms of structural reforms, the MoU indicates again measures such as the reduction of the Irish minimal wage, the inclusion of the "inability to pay clause", and the extension of the 15-day rule prompt payment (European Commission, 2010, pp. 3-8).

In general, the MoU was created in such a way that it would be compatible with the National Recovery Plan (European Commission, 2015, p. 12). Basically, the lending parties set out the targets that Ireland had to achieve by a certain date in order to receive the instalments, but entrusted Ireland to find the best solutions and undertake the most suitable measures.

Domestic preferences

Interest groups

In this section, the position of the previously selected interest groups will be analysed. The interest groups have been selected with the aim to analyse a big portion of the economic stakeholders in Irish society. Big national interest groups have the advantage that they already start to aggregate the interests of their members. The domestic encompassing interest, as Bowen (2002) calls it, is essential for interest groups to receive access to the domestic legislators (Bouwen, 2002, p. 369). The interest groups activity will be monitored for the time period between 2010 and 2018 because, although the Crisis started roughly in 2007/2008, in late 2010 Ireland asked and received approval for the bailout loan from the EFSF and the other lending parties, which effectively started the implementation of the National Recovery Plan

2011-2014, which was largely in line with the MoU agreed upon between the EFSF and Ireland.

Agriculture

The Irish farmers' association (IFA) is the largest farming representative organisation in Ireland. It represents the interests of Irish farmers in all agricultural sectors. The IFA's services are advocacy and lobbying activities at the national level, and it gives advice to its members regarding any legislative change in their specific working fields. The advocacy priorities and strategies are laid down by the members' needs. This means that only commonly shared goals and issues of the Irish farmers can be brought to the attention of the legislators by the IFA. In general, the IFA is an old and well-established interest group that advocates for improved living conditions and incomes for Irish farm families.

What was their position during the Crisis?

The general position of the IFA will be analysed based on their press releases, reports and announcements. Special attention will be placed on the budget allocation requests by the IFA to see whether the Irish government satisfied these requests or not.

In the 2011 pre-budget submission, the IFA stated several reasons why the farming sector is important for the Irish economy, in particular to Ireland's exports. Although the IFA clearly stated that the imbalance in the public finances had to be considered as an Irish priority and corrected as soon as possible, it also stressed the fact that the Irish agriculture was still a low-income sector which needed, according to the IFA, continued commitment by the government in investment programs and funding schemes. A general cut of these programs would have had strong negative effects on the Irish agricultural sector (Irish Farmers' Association, 2010a). Finally, on the topic of taxation, the IFA wished that all income earners should be taxed in an equitable way and not undermine the competitiveness of the agricultural sector.

The first demand by the IFA was thus to continue grant the same amount of money for investment programs and funding schemes such as the *Rural Environment Protection Scheme* (REPS) and the *Agri Environment Option Scheme* (AEOS). In addition, the IFA requested that the final tranche (which was already overdue) of the previously issued *Farm Waste*

Management Scheme had to be paid within the year 2011 (Irish Farmers' Association, 2010a). The farmers' association also asked for the reversion of the disadvantaged areas cut which amounted to 34 million Euro and the restoration of the 80 Euro payment rate per cow under the *Suckler Cow Scheme*. Furthermore, on the topic of taxation, the IFA asked the government to deduct the Capital allowances before calculating the reckonable income for the new universal social contribution. This would result in practice in a tax relief because the universal social contribution tax would be calculated on a smaller income. Finally, an exclusion of farmlands and buildings from the proposed property tax was sought, together with the extension of important farm reliefs such as the Stock relief for farm consolidation (Irish Farmers' Association, 2010a, 2011a).

As expected, the Irish budget for 2011 showed substantial general expenditure reductions and taxation changes for the agricultural sector in line with the four-year National Recovery Plan and the MoU between the EFSF and Ireland (Irish Farmers' Association, 2011b). These changes were meant to save around 6 billion Euro by reducing current and planned subsidies (in total around 3.9 billion Euro), increasing taxes (around 1.4 billion Euro), and other measures which included the disposal of state-owned assets (around 700 million Euro). The total allocation of public funds to the agricultural sector decreased until 2014, remained roughly the same in 2015, and then due to positive economic growth, increased strongly from 2016 onwards (Irish Farmers' Association, 2011b, 2012b, 2013b, 2014b, 2016b, 2017b).

AEOS/REPS scheme

If we take a look at the requests made by the IFA, the AEOS scheme re-opened and allowed 10 000 new farmers to join. In 2012, the AEOS scheme remained close and the REPS scheme was reduced by 10%. These changes remained like this until 2014. In 2015, both schemes were reduced by the government but shortly after in 2016 increased again (Irish Farmers' Association, 2011b, 2012b, 2013b, 2014b, 2016b).

Disadvantaged Areas support (from 2015 ANC)

The initially planned cut for the support to disadvantaged areas has been reversed maintaining the amount of 2010. In 2012, the support for disadvantaged areas remained roughly the same (with some indirect reductions, e.g. decrease the maximum disadvantaged hectare refundable) till 2017. In 2018, an increase in support for disadvantaged areas was introduced (Irish Farmers' Association, 2011b, 2012b, 2013b, 2014b, 2016b, 2017b).

Suckler Cow Scheme

Also, the *Suckler Cow Scheme* payments have been assured by the government for the years 2010 and 2011 and the last tranche of the *Farm Waste Management Scheme* has been confirmed too. There were strong reductions in the amount of money each farmer would receive per cow in 2013. However, in 2014 a new suckler cow scheme was introduced with higher financial support (Irish Farmers' Association, 2011b, 2012b, 2013b, 2014b).

Taxation

Furthermore, in terms of taxation, the Capital allowances used for the business have been exempted from the universal social contribution charge, the stock relief extended for two more years and the planned property tax would come into effect only in 2013 (Irish Farmers' Association, 2011b, 2012b, 2013b)

Social protection

It is noteworthy to see that the unemployment benefit and farm assistance have been reduced by 10 Euro a month. The same goes for Child benefits (third child benefit has a 20 Euro cut per month). The pension tax relief has been adjusted downwards by 35 000 Euro and the excise duty increased the price per litre for diesel and petrol. However, the income tax had been reduced by 10 % (Irish Farmers' Association, 2011b).

Conclusion

As we have seen, the government seemed to react positively to most requests that the IFA has done over the years even though there have been substantial cuts on government spending and tax increases. The heavy cuts have been made on the pension tax relief and the child and unemployment benefits. These policy measures that the government implemented are in line with what liberal intergovernmentalism would predict. Namely that interests of organised interest groups would be favoured over non-organised interest groups.

In general, the agricultural sector did not have a strong opinion about whether Ireland should have requested a bailout loan. The advocacy activity and the moderate tone in which requests are being brought forward to the Irish government indicate that this interest group probably was not among those who could either gain or lose the most.

Industry

Ibec is the largest interest group association that represents Irish businesses in Ireland. The members active in Ibec are very diverse in size and sector they operate in. In fact, there are twelve active sub-associations within Ibec which all cover different and more specific industrial sectors that range from medical interest groups to food and beverage associations.

Finally, Ibec has a few political committees which are divided by topic. Naturally, all topics are related to the member's interests, with the aim of creating the lobbying strategy and address future challenges and issues. In 2016 there were 18 different committees active that discussed the issues with their members and based on that form their advocacy strategy. These committees then tried to influence the various departments that are responsible for their respective policy field.

Policy position on the National Recovery Plan

Ibec has a strong position on the measures regarding innovation addressed by the four-year National Recovery Plan. The government plan includes measures that are set up in a way to support further innovation and technological and scientific progress. According to Ibec, the four-year National Recovery Plan maintains a high amount of public investments in innovation, technology and science. Obviously, they welcome that no cuts had been undertaken in these fields. However, the National Recovery Plan also removed the patent royalties' scheme which, according to Ibec, was necessary to achieve the objectives set out by the government (Irish Business and Employers Confederation, 2011a).

In other fields, Ibec does not seem to have published an opinion or a statement regarding the National Recovery Plan. This probably suggests that they couldn't reach a consensus on a position within the members or that the issues were not as important to them.

Nonetheless, according to Ibec, the Irish government had the possibility and the duty to negotiate and shape the bailout plan, as long as it met the fiscal targets. The plan should better suit Ireland´s policies and this should be discussed with the EFSF and the other lending parties. The conditions for the bailout loan mainly set out a timetable on which Ireland had to deliver positive results if it wanted to receive the disbursements by the EFSF (Irish Business and Employers Confederation, 2011a).

As mentioned before, three main elements of the Irish economy need to be relooked at. First, consolidating fiscal performance. Secondly, reforming the financial sector to avoid another banking crisis. Thirdly, the introduction of structural reforms in Ireland.

1. Fiscal consolidation

Ibec just informs its members that there will be a fiscal consolidation of 15 billion Euro between 2011 and 2014. In order to receive the first tranche of money, the Irish government created and implemented a six billion Euro budget plan for 2011 to which the first tranche of another six billion Euro from the four-year National Recovery Plan needs to be added.

In 2012, the amount of money injected in the Irish economy following the National Recovery Plan will be of about 3.6 billion Euro. There will also be an increase in personal taxation, carbon tax and property tax. Furthermore, there will also be reductions in private pension tax reliefs. The 2012 Budget will also lead to reductions in social spending and capital expenditure (by almost 1 billion Euro). There will be further savings in the public sector through fewer staff and pension reductions.

2. Financial sector reforms

In the press release by Ibec, no major position can be seen. The association only informs its members that there will be a substantial amount of money (in total 35 billion Euro made available) from the EFSF bailout loan that will be redirected to the financial system for recapitalization purposes. Finally, Ibec states that Ireland will end up with a much smaller banking system with some banks like Anglo Irish Bank (AIB) mostly nationalised.

3. Structural reforms

A more focussed analysis is made on the planned structural reforms. A great amount of interest is placed on the labour market reforms because they are the most documented in the loan. First, there is a reduction of the minimum wage by one Euro and, in relation to the wages, the extension of the "inability to pay" clause. This clause, which already existed before, can, with the entry into force of the agreement, be invoked multiple times. Furthermore, Ibec hoped that the government would either reform or completely abolish the employment regulation system that, in their eyes, was outdated.

The social welfare system was also being reformed by the state. The first step in this direction was to merge the state agency Foras Áiseanna Saothair (FÁS), which was in charge of employment services, with the Department of Social Protection. The purpose of this merger was to provide more efficient services for clients. The government also started tackling the replacement rates and lowered the rate of job seekers allowance for certain age categories in Budget 2010.

For the business sector, the voluntary 15-day prompt payment rule had a direct relevance. This rule applied to local authorities, health service executives and other state agencies, which had to pay suppliers with 15 days (Irish Business and Employers Confederation, 2011a).

Ibec Evaluation of the National Recovery Plan

After the National Recovery Plan, in 2015, Ibec pinpointed three main issues that were affecting the Irish businesses till then. These were: too much austerity, too many taxes and too few investments (Irish Business and Employers Confederation, 2014).

In terms of austerity, Ibec requested the government to reduce the net fiscal adjustment goal to 200 million Euro. As a reason why they should do that, Ibec mentioned that the Irish economy had started to become strong again. A readjustment of the savings would have sent a strong message to boost consumer confidence and economic activity.

Regarding the taxes, Ibec wrote that especially personal taxes needed to be reduced. First of all, pension levies needed to be dropped. Furthermore, the Universal Social Charge was in need of reforms so that self-employed and PAYE workers were going to be treated the same way. Finally, the threshold for the marginal tax rate had to be increased (Irish Business and Employers Confederation, 2014).

For 2015, new and bigger investments were needed for the Irish economy to fully recover. Finally, Irish businesses should have the possibility in the future to profit from innovative financing mechanism to receive borrowings at a low cost. To keep investments up, the international tax offering needed to stay competitive and appealing. The commitment to the 12.5% corporation tax needed to be reaffirmed as to remain attractive for big companies and foreign investments.

Ibec on R&D tax credit scheme

Finally, another important issue for Ibec was the R&D tax credit scheme. The fear of possible savings on the R&D tax credit scheme led Ibec to issue a press release after having conducted a survey with around 250 companies. In this press release, Ibec requested the government to maintain the R&D tax credit scheme since it was very attractive for foreign investors, especially in the field of mobile investments (Irish Business and Employers Confederation, 2013a).

Next, Ibec suggested that the government had to introduce a structured process so that companies exactly knew whether they could count on the same benefit also in the following year. A clearer definition of who was the beneficiary of this R&D tax credit scheme and a clear distinction from other grants was necessary. To make it a faster and more efficient process, the audit period of four years needed to be lowered and a clearer technical appeal process was vital for a good implementation of this scheme. Finally, a pool of experts needed to be assembled who could better communicate and help companies deal with problems regarding this scheme.

Furthermore, Ibec also wished that the use of on-site agencies should be supported by including their cost in the R&D tax credit scheme. The creation of a simpler way for SMEs to request grants for R&D projects was important to encourage them in applying for these additional funding opportunities. The complexity and the administrative costs often refrained SMEs from applying (Irish Business and Employers Confederation, 2013a).

Ibec policy position on public service

In late 2011, Ibec published its position on the initiative by the Irish government to increase shared services (synergies in the public service sector). In Ibec's opinion, where possible, sharing services in the civil service and between the different governmental departments and local governments could improve the efficiency and quality of the public service. Furthermore, sharing services would come with a significant reduction in costs because of the synergies that can be created. In their statement, they asked the government to include outsourcing as a valid alternative to improve efficiency (Irish Business and Employers Confederation, 2011b).

Public Service Reform

After a few rounds of consultations, on the 17 November 2011, the Irish government published the Public Service Reform (PSR) plan. The plan outlined a strategy created by the government which tried to deliver good and efficient public services while at the same time reducing costs. In response to this plan, in 2013, IBEC published another position paper on the PSR plan. According to Ibec, the Irish economic circumstances necessitated that all areas of public service had to be made more effective and efficient. This means that, in general terms, they were in favour of this plan. However, achieving greater efficiencies, while at the same time reducing costs, was a challenging task (Irish Business and Employers Confederation, 2013b).

In essence, the PSR plan must result in a cut of waste and duplication by sharing support services such as payroll and HR functions; combining purchasing power to deliver savings in procurement; using new and proven technologies; and opening up public services to greater competition to allow the best provider to do the job.

Ibec is engaging with the new Reform and Delivery Office within the Department of Public Expenditure & Reform on the implementation of the plan. The plan includes the introduction of shared services, just as asked by Ibec in its previous position paper. However, shared services should first be implemented in some areas and not in all mentioned by Ibec. In-sourcing, co-sourcing and outsourcing are being taken by the government into consideration. Furthermore, the plan includes a reform on public procurement strategy to a better use of technology for services directed to citizens, a plan for the management of property assets and a public expenditure reform (Irish Business and Employers Confederation, 2013b).

What did they receive?

In 2011, Ireland entered the EFSF program. This decision of asking for international financial help has not been shared by Ibec. The association representing the Irish industry has denominated the bailout loan agreement a “traumatic event” for Ireland. According to Ibec, the international reputation and credibility have been undermined by asking the European and international community for help. On the other hand, the Irish government should have tried to sell Ireland on the international level as a safe haven for investments. The EFSF loan has had the effect of lowering considerably the prices of business inputs, consumer goods and the amount of tourism (Irish Business and Employers Confederation, 2011a).

Furthermore, more attention should be placed on credit availability and affordability. Ireland is a very SME dependent country with a lot of potential for expansion and employment.

However, without the availability and affordability of asking loans from Irish banks, expansion and economic upturn could not happen.

Next, the government needed to help the domestic industry actors to become truly competitive again. Many Irish companies had managed to regain competitiveness on the international market, however, there were still high labour and energy costs that hindered them from becoming more attractive.

The Irish industry lost, in general, a lot of jobs, with the construction sector suffering the most. From the beginning of the crisis to 2011, over half of the jobs available had been lost (approximately 140 000 jobs). Nonetheless, the public capital investment programmes and a series of other investments in large construction programmes, like the Dublin airport, have made an important contribution to the construction sector. However, the reductions in the public investments, announced in the four-year plan, meant that the sector, and thus also the employment possibilities, were going to further shrink (Irish Business and Employers Confederation, 2011a).

In general, it seemed that the business representatives were very active in all stages of the bailout programme. The industry interest groups completely rejected the idea of Ireland to ask for financial assistance because they were afraid that this would generate a lot of uncertainty around the consolidation measures to be implemented. Higher savings and taxation in the business sector could have meant that foreign investors would have started to become nervous, leading to fewer FDI towards Ireland. Regarding the budget submissions, the government largely pandered to the requests of the industry organisations. Most notably, the corporate tax has never been increased to keep FDI flowing. This was expected by LI and matched the results of Regan (2016) and Regan and Brazys (2017).

Trade unions

In 2009, the SIPTU Trade Union called for a Social Solidarity Pact that would ensure agreement across all sectors of society as to how to face the crisis. The initiative focused on the following issues: Getting Credit Flowing; Boosting Economic Growth and Favouring Employment; Cutting Expenditure and stimulating Competitiveness (Irish Congress of Trade Unions, (2013).

They proposed the creation of a €1 Billion Job Creation & Protection Plan which would have had all the Government departments and agencies to focus on the Jobs Crisis. In particular, the aim was to adapt Job Protection Schemes put in place in other EU countries that were operating successfully and introduce them to Ireland.

Furthermore, the Congress of Irish Trade unions published a 10 Point Plan for National Recovery, which showed that there were other options for Government, other than cutting incomes and welfare (Irish Congress of Trade Unions, 2013). The key elements of the 10 Point Plan were the following:

1. Tackle the Job crisis
2. Protect Incomes
3. Stop Social Welfare Cuts
4. Protect People´s Homes
5. Safeguard Public Services
6. Reform the Tax System
7. Protect pensions
8. Protect workplace rights
9. Reform the Banks
10. Extend the Recovery Period

The National Recovery Plan made by the government to deal with the economic crisis, loaded, according to the Trade Unions, the full cost of the collapse onto working people and the poor. Wage earners, pensioners, or social welfare recipients would be asked to finance the recovery.

According to the Trade Unions, no new taxes were imposed on wealthy corporations while a series of cuts on the minimum wage, on the incomes of the public sector workers, on youth unemployment benefit, on bank staff were introduced to free and preserve all the key components of the economic system that provoked the crash (Irish Congress of Trade Unions, (2013).

By looking at the policy measures that the government undertook, it is visible that not much attention has been given to the suggestions of the trade unions. In fact, Culpepper and Regan (2014), reported that after the financial crisis, the Irish department of finance thought that much of the blame for the crisis was to be found in the level of dominance of the social partnerships and contracts (Culpepper, 2014).

In general, the trade unions were very active at the beginning of the crisis and during the first years of the bailout loan programme. They were totally against the idea of requesting a bailout loan from the EFSF and the Troika because they were mainly afraid about the potential cuts on social welfare expenditure. Finally, there was not much information about the policy positions on the individual measures taken by the government because two of the biggest public service trade unions merged in 2018 to form Fòrsa. All the press releases from before 2018 were cancelled. The attempts of the author to contact Fòrsa to receive further information were all in vain.

Banking union

Central Bank

The Central Bank of Ireland, although it is independent of the Irish government, is still bound to achieve the goals set by the EFSF programme. One of the programme's main aims is to bring Ireland's public finances to a sustainable level again. To achieve this goal, a strong and restored domestic banking system was needed. In order to do this, a recapitalization of the banks, a downsizing and reorganisation of the banking system was made necessary.

However, before analysing the aims and measures that the Central bank of Ireland tried to achieve once Ireland entered the EFSF programme, it is extremely interesting to see what happened shortly before the bailout request was announced by the Irish government.

Patrick Honohan, the Governor of the Bank of Ireland, announced at the *Morning Ireland radio* programme in late 2010 that, in his opinion, Ireland would likely have to ask for financial assistance from the EU institutions and the IMF (O'Carroll, 2010). This statement was done in the period when the Irish government vehemently negated any talks or negotiations with the EU institutions about a possible bailout loan. This was a very clear political standpoint by the Governor of the Central Bank of Ireland and also a political message to the Government. The Irish Central Bank seemed to think, in opposition to what the Irish government tried to sell, that a bailout loan would be the best and most likely solution to the Irish problems. This obviously also undermined the credibility of the Irish government. In late 2014 a correspondence via email has been leaked between the ECB president Jean-Claude Trichet and the Finance Minister of Ireland Brian Lenihan. In these four letters, that were exchanged in the period between the 15th of October 2010 and the 21st of November 2010, the ECB president shared his concern regarding the Irish situation and expressed his wish that Ireland requested financial assistance from the EU (J.C Trichet, *personal communication*, 2010a,2010b). After a first resistance by the Irish Finance Minister, the ECB President threatened the possibility that the ECB could potentially cut the emergency liquidity assistance for the Irish Central Bank and ultimately the domestic Irish banks. After just two days, the Irish Finance Minister confirmed that Ireland had sent a request for financial assistance from the "European and international support mechanisms" (B.Lenihan, *personal communication*, 2010a, 2010b).

During the plan

Almost immediately after Ireland entered the EFSF programme, the Irish Central Bank decided to appoint BlackRock Inc. as a consultant (Central Bank of Ireland, 2011). This was the first step of the Financial Measures Programme (FMP) agreed between the Central Bank of Ireland and the European Commission, the ECB and the IMF. The FMP had the objective of reforming and supporting the financial sector to fund itself without having to rely on state aids from Ireland or the EU. BlackRock Inc. was contacted to make an independent loan loss assessment exercise to understand how much exactly the Irish banks needed to be recapitalized. In this regard, during an interview that the author carried out at the ESM former EFSF with a pool of experts dealing with Irish issues, one of the interviewees who worked at that time at the Central Bank of Ireland, mentioned that the Irish banks gave much more information about their financial situation to BlackRock than they had previously done with the Central Bank of Ireland.

The results of BlackRock Inc. were then used to create and define the two other objectives of the FMP: PCAR and PLAR. The Prudential Capital Assessment Review (PCAR) was an annual stress test that the Central Bank did to understand the amount of recapitalization needed for each troubled bank. The Prudential Liquidity Assessment Review (PLAR) established funding targets for banks that participated in the PCAR review to decrease liquidity dependence from the Central Bank and ensuring convergence to the Basel III liquidity standards (Central Bank of Ireland, 2011).

It was the PCAR results that delineated the recapitalization measure of about 18.7 billion Euro that was needed for the four domestic Irish banks. As regards the downsizing of the Irish financial sector to a manageable size, the Central Bank of Ireland decided to orient itself to the Loan to Deposit Ratio (LDR). Basically, the Irish Central Bank wanted that the Irish banks increased their deposits to better cope with the loans they had previously taken. The plan was to deleverage banks and make the balance sheets smaller by gradually selling non-core bank assets. In total, a reduction of more than 70 billion Euro in three years (late 2010 – late 2013) was set as a target. Finally, the reforms meant to reorganise the Irish financial sector included in the FMP were primarily aimed at restoring confidence in the Irish banks. According to the FMP report of the Central Bank of Ireland, the financial sector reforms introduced by the Irish Central Bank were the "key element of the Ireland's agreement with the EC, ECB and IMF." (Central Bank of Ireland, 2011, p.13) The Irish Central Bank stated that it placed a high importance to the evaluation of other independent institutions of the measures implemented so as to increase credibility and confidence. Next to BlackRock Inc., also the ECB, the EC, the IMF and the Central Banks of France and Italy peer-reviewed the measures taken (Central Bank of Ireland, 2011).

Bank interest groups

The Banking and Payments Federation Ireland (BPFI) is an interest group representing the Irish financial sector in Ireland. It represents more than 70 domestic and international members and thus, it is also the most important interest representation organisation of the Irish banking sector. Furthermore, BPFI represents also other sub-interest organisations such as the Fintech and Payments Association of Ireland (FPAI) and the Federation of International Banks in Ireland (FIBI). BPFI is also active through their offices in Brussels and Frankfurt.

There is not much information regarding the policy positions of the BPFI on the four-year National Recovery Plan or on the EFSF bailout loan itself. This could be due to a merger of two banking interest representations (Irish Banking Federation and Irish Payment Service Operation) in 2014 that established BPFI.

Nonetheless, regarding the PCAR results of the Central Bank of Ireland and of other stress tests results from the European Banking Authority, BPFI published a statement. In this statement, at that time, IBF welcomed the clarity of the results that provided insights on the required capital for European and Irish banks. According to IBF, the results showed that Irish banks had passed the tests and thus did not require any additional capital foreseen by the FMP programme of the Irish Central Bank.

IBF praised the extensiveness and the rigour of the Irish Central Bank PCAR stress test as a key factor to restore confidence to the country's domestic banking system (Banking & Payments Federation, n.d).

Finally, IBF stressed its intention of continuing to work with the government and other regulatory authorities and stakeholders to rebuild the domestic financial sector.

In fact, the government developed a new IFS2020 strategy (from 2015 – 2020) that had the aim of supporting the development of the financial sector and create 10 000 new jobs. In order to successfully implement this strategy, the government started IFS Ireland, an initiative led by the government that defines the co-ordinated approach of government agencies (such as Enterprise Ireland and IDA Ireland) and private organisations in pursuit of a stronger domestic financial sector (Banking & Payments Federation Ireland, n.d.).

In general, the banking interest groups, and the Central Bank of Ireland strongly pushed for the request of a bailout loan. After the bailout loan was requested, the advocacy activity about the measures regarding the expenditure cuts and the taxation issues was almost non-existent.

Public opinion

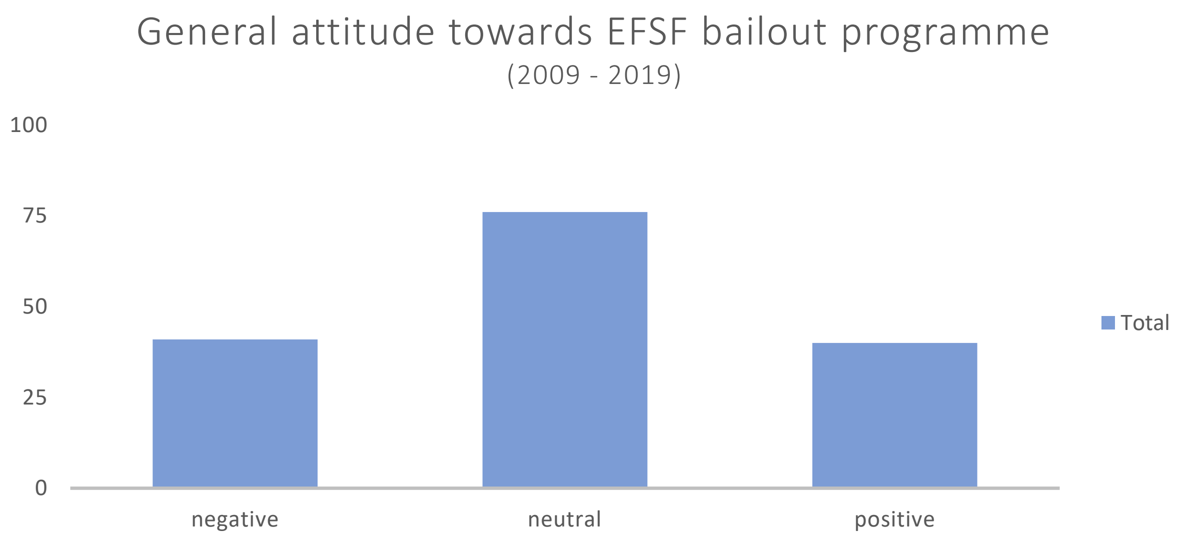
In order to understand what the Irish public thought about the deal, the author has gathered and analysed 160 newspaper articles from the six most important Irish newspapers. These newspapers are the Irish Times, The Irish Independent, the Journal, the Irish Examiner, the Herald and the Irish Mirror. It has to be said that this is not an exact indicator to measure the public opinion. However, in general terms, these articles can be used as a proxy for the public opinion in Ireland.

In general, all newspapers presented the facts in a balanced way. Surprisingly the Irish newspapers reported the Irish crisis and the bailout loan programme, mostly, in a neutral way. In fact, most of the articles either tried to explain the reforms that the government was going to implement, or they simply reported the events that had already happened. It was also often the case that the press informed its readers of the general economic outlook of the

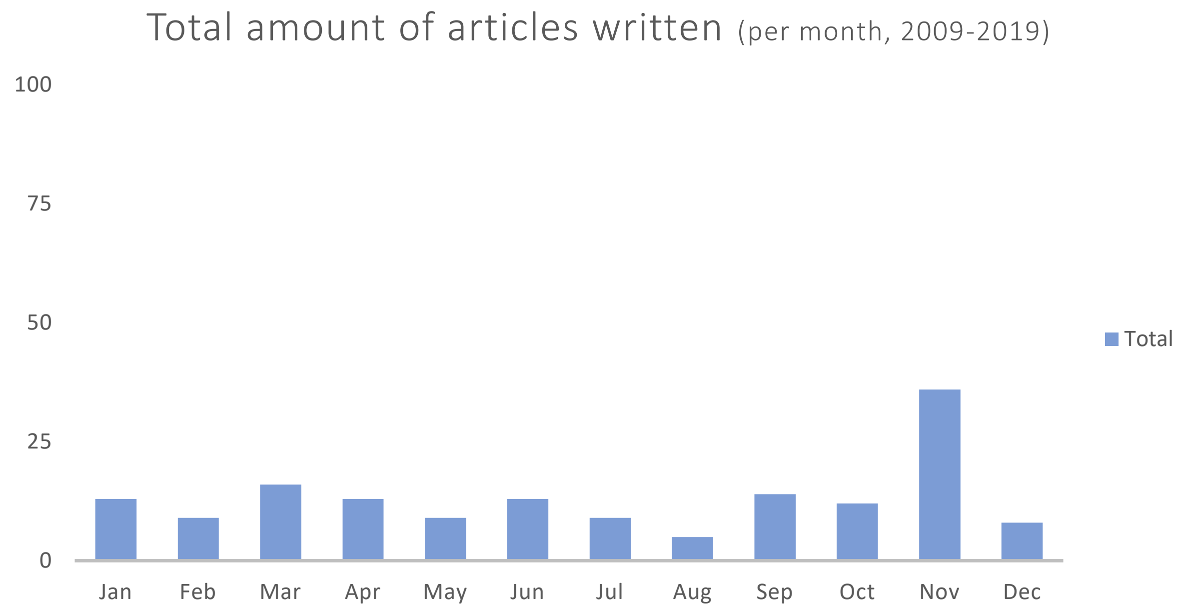
Irish economy. Furthermore, another interesting feature was that when the journalists were writing about the bailout programme, they emphasised the role of the IMF and of its Irish team. The EFSF did not receive much coverage and was mostly linked to the disbursements but not to the real measures. The European Commission and the ECB, on the other hand, were followed more closely by the media, especially when reports to the Irish banking system were made.

However, when the articles reported the cuts in government spending on the Irish welfare system, it was the Irish government that was mostly targeted by negative reviews. These negative comments focused mostly on the measures that reduced the support to the most vulnerable people in the Irish society, while the positive reviews focused on the reforms that according to the commentators were long needed for the public and financial sector.

In order to understand the general feeling about the bailout programme, the selected articles have been divided into three different categories depending on whether they tended to portrait the Irish EFSF programme in a negative, neutral or positive way.



In the graph above, we can see that the sentiment regarding the EFSF bailout programme was indeed very balanced. Out of the 160 articles, almost half of them are neutral, which amounts to exactly 77 articles. Furthermore, a very balanced situation can be seen between the more positive and more negative articles. 42 were negative and 41 were positive. Interestingly, the bailout programme has been analysed by journalists following the three main aims of the programme which were: reforming the public service, lowering the public debt and restructuring the financial sector.



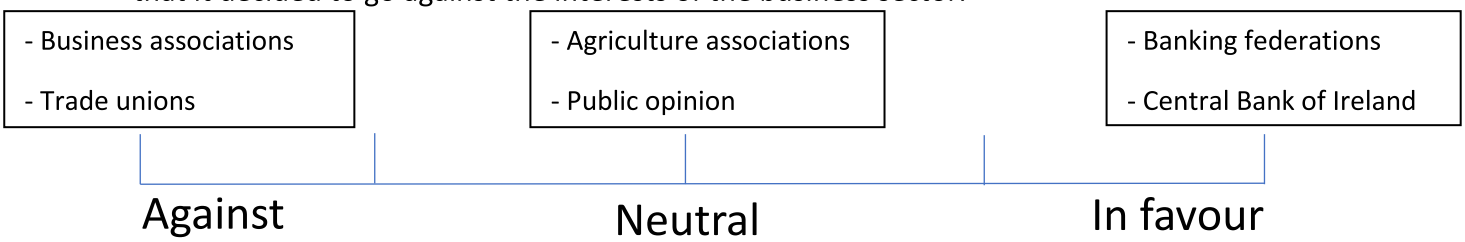
Finally, the second graph shows the months in which the articles have been published. It is directly visible that a strong increase in articles is being published in November each year. This is mainly due to the debates in the Daíl Éireann (the Assembly of Ireland) upon approving or rejecting the budget for the following year. Since the consolidation measures had a strong effect on the Irish budget, a stronger coverage is done in November.

As mentioned above the general public was mostly neutral regarding the request of the bailout loan and the policy measures included in the National Recovery Plan.

Policy positions of the Interest groups

Requesting the bailout loan

In general, the interest groups seemed to prefer not to request the bailout loan. Especially since the government seemed to be biased towards business interests, it is interesting to see that it decided to go against the interests of the business sector.

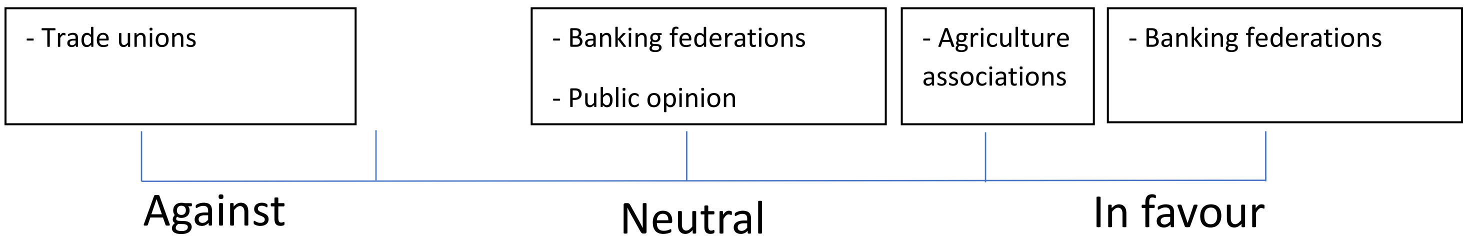


The heavy involvement of the Central Bank of Ireland could point that the material interests of the Irish financial sector and the ideological interests of the Irish Central Bank merged together. This would mean that the Central Bank of Ireland would have also played, together with the support of the ECB, as a relay for reinforcing the banking interests.

National Recovery Plan 2011-2014

Regarding the National Recovery Plan, the situation changed as expected by Liberal Intergovernmentalism (LI).

The Trade Unions, considering the expenditure cuts on social protection and unemployment benefit, and the reduction of the national minimum wage, were completely against the implementation of this plan. The banking federations did not have any press-releases or policy positions on the National Recovery Plan which indicates that they could not lose or gain much. Their position is therefore regarded as neutral. Similarly, the public opinion could not agree on whether the measures included in the National Recovery Plan were positive or negative. Therefore, they are also regarded as neutral. Agriculture associations, on the other hand, were very active and expressed their understanding for the government's measures. However, they did not welcome the expenditure reductions in the AEOS and REPS schemes. Finally, the business associations were very in favour of the National Recovery Plan measures because they did not damage the Irish FDI-friendly environment. This ensured that Ireland remained an attractive destination for foreign capital and investments.



Bearing this information in mind, the first three hypotheses can be answered. The first hypothesis was:

H1. Irish preferences are given by the aggregation of the most important and most organised domestic interest groups.

When looking at the policy positions of the interest groups regarding the measures included in the National Recovery Plan, the government indeed did include policy measures that aggregated the agricultural, banking and business interests. Furthermore, as displayed by the figures above, the government favoured business organisations, and to a smaller extent also agricultural associations. However, labour unions were to a large extent ignored by the government. These findings are in line with the expectations of LI and the findings of Culpepper & Regan (2014). In general terms, hypothesis 1 can be confirmed.

H2. The Irish government´s decisions were a direct consequence of national interest groups preferences based on the popularity and salience of the issue.

As mentioned above, the National Recovery Plan was largely biased towards business interests. Furthermore, the main requests of the business, agricultural and banking interest groups were satisfied. This was true especially on the salient issues were the interest groups had the most to gain or lose. Hypothesis 2 is therefore also confirmed.

H3. The public opinion had a strong negative view on the austerity rules included in the National Recovery Plan.

Overall, the public opinion had a very balanced view on whether the measures implemented were positive or negative for the Irish society. Most of the newspaper articles that were analysed showed that the main sentiment towards the National Recovery Plan was neutral, with very few exceptions. Therefore, the hypothesis 3 can be rejected.

Irish Budget 2011-2018

The Irish Budget in 2011 was strongly influenced by the four-year National Recovery Plan and the MoU between Ireland and the lending parties. As mentioned above, a total adjustment of 15 billion Euro had to be achieved by 2014. In 2011 the total consolidation amounted to 6 billion Euro, in 2012 to 3.6 billion Euro and finally, in 2013 and 2014, the consolidation reached 3.1 billion Euro. It is important to note that Ireland had previously conducted another economic recovery plan and an adjustment plan that successfully consolidated 14.6 billion Euro. The Irish economy was, by 2011, stable and not under pressure. This cannot be said however about the banking sector which still bore a lot of uncertainty.

In order to analyse how the Irish government allocated the resources throughout the years, the developments will be shown by category rather than by year. These categories will be 1) social protection, 2) unemployment, 3) Public service, 4) taxation and 5) business.

1) *Social protection*

In 2011, child benefit was lowered by ten Euro per child. Furthermore, for families with three or more children, the benefit would be further reduced by ten Euro after the second child.

In 2012, the child benefit for the first and second child remained the same. However, for the third and onwards child, the benefit was further reduced by ten Euro. Regarding the health sector, Ireland provided 35 million Euro for the creation of mental health teams and 15 million Euro to increase accessibility to primary care for its citizens.

In 2013, the government announced that the most important social welfare payments, pension payments and frontline services would be protected. Nonetheless, the child benefit for families was further reduced by ten Euro for all children. Furthermore, there was an increase in the Drug Payment Scheme and in the charges for medical card holders. However, the cost of drugs and prescriptions were reduced for all citizens (Government of Ireland, 2010, 2011, 2012).

In 2014, child benefit remained the same. In order to boost mental health services, 20 million Euro were allocated for 2014. Furthermore, 37 million Euro were allocated to provide for children under five years old, free General Practitioner (GP) care. Savings were generated by further increasing charges for medical card holders and lowering the eligibility for drugs. Furthermore, maternity benefits were also reduced resulting in further savings. In 2015, the government allocated 13.1 billion Euro in the Health Sector meaning that an additional 305 million Euro was available over the previous year. Furthermore, child benefit increased for all children by five Euro per month.

In 2016, the positive trend continued with an additional increase in child benefit of five Euro per month. Furthermore, free GP services were extended to children up to 12 years old. By the end of 2016, a paternity scheme was also envisaged by the government.

In 2017, public investments in the health sector reached an all-time high. All welfare payments increased by five Euro per week, just as all the state pensions did.

Finally, in 2018 investments in the health sector increased again, this time by a considerable amount of 685 million Euro. State pensions rose again by five Euro per week as all other welfare expenditures. Furthermore, around 1800 frontline health care staff were employed to improve the health care services (Government of Ireland, 2013, 2015, 2016).

2) *Unemployment*

In 2011, regarding the unemployed, the Irish government decided to implement a National Employment Action Plan that provided education and training opportunities. Furthermore, the plan also helped the unemployed to find work experience placements.

In 2012, the government included in the budget a 20 million Euro fund that was aimed at bringing the long-term unemployed back onto the labour market. Obviously, the government tried (in accordance with the National Recovery Plan) to make it financially uncomfortable to remain unemployed (Government of Ireland, 2010, 2011).

For example, in 2013, the duration of the jobseeker's benefit was reduced by three months.

In 2014, there were no major plans that were aimed at the unemployed specifically, however, the government tried to increase job opportunities by funding local economic activities like road repairs and increased maintenance. Furthermore, the government allocated a 1.6 billion Euro funding for the educational sector to provide for more jobs and training opportunities.

Also, in 2015 no major projects to tackle unemployment were announced by the government.

In 2016, the government decided to recruit about 600 new police trainees (the Gardaí). Furthermore, in the agricultural sector young trained farmers received a tax relief for three years, till 2018.

In 2017, a further increase of 800 police recruits was planned to be trained. The jobseeker's benefit was also increased by five Euro per week.

In 2018, there were no important budget allocations aimed at the unemployed population (Government of Ireland, 2012, 2013, 2014, 2015, 2016, 2017).

3) *Public service*

In 2011, there were heavy cuts in the public service pensions and salaries of the public employees. The salaries of the Taoiseach, Tánaiste and the ministers were reduced as well. In 2012, the Irish government commenced decreasing the number of public servants. Around 6000 people were expected to lose their jobs. Furthermore, an additional 400 million Euro was supposed to be saved by further reducing salaries (Government of Ireland, 2010, 2011). In 2013, in the public service apparatus, reforms were implemented. New reforms, to increase efficiency were going to be worked on throughout the next years. All reforms were going to follow the Croke Park agreement, which made it possible for the government to reduce the public service pay cost by 14% (Government of Ireland, *The National Recovery Plan,* 2010, p. 66). In 2014, 2015, 2016 and 2017 as mentioned in the point before, investments were made to increase the strength of the police force and increase funding for the educational public sector. In 2018, the government allocated a 180 million Euro fund to make sure that the Public Service Stability agreement was secured (Government of Ireland, 2012, 2017).

4) *Taxation*

In 2011, the government gave assurances that the taxation increases would be spread in a way that would impact all members of society equally. According to the government, everybody had to contribute to reconstructing the Irish economy (Government of Ireland, *Budget 2011 Leaflet, 2010, p. 2)*. The first change in 2011 was the introduction of the Universal Social Charge (USC) which combined and replaced the Income and Health Levy. Pension reliefs were drastically reduced just as tax reliefs for high earning people. Furthermore, the Pay Related Social Insurance (PRSI) was increased for self-employed, high-level public servants and office holders. Furthermore, the Income Tax was implemented so that it would impact most on the top 70% earners, so on the higher earners and not on low-income workers. Finally, the excise for petrol and diesel was increased by four and two cents respectively. In 2012, it was decided that the PRSI contribution would also have to be made by people who were previously exempt. Furthermore, the Carbon Tax was increased by five Euro per tonne and the excise on cigarettes was increased by 25 cents. Finally, a 100 Euro household charge was introduced to make sure that important local services would receive enough money. The Income Tax was not changed. In 2013, a ten-point tax plan was introduced that was aimed at reducing administrative complexity and inefficiency to help companies grow (Government of Ireland, *Assistance for Small and Medium Enterprise (SME) sector, pp. 5-10)*. The Income Tax rates were not changed but the excise on tobacco was increased. Furthermore, the PRSI contributions were increased by applying them also to the self-employed. In 2014, there were no increases in the USC contributions or income taxation. The pension levy was increased slightly, and the pension tax relief threshold was positioned at a level of 60 000 Euro. Finally, a bank Levy was introduced on domestic banks and for the first time in decades, the excise on alcohol was increased. In 2015, the impact of the USC on lower-income members of society was decreased by increasing the threshold and generally decreasing the USC rates. This made sure that around 80 000 workers no longer needed to contribute to the USC. In 2016, a new tax credit of 12 Euro per week was introduced for the PRSI tax for people with a low income. Furthermore, a general reduction of the USC contribution, in all income brackets except the top one was achieved. Finally, an income tax credit of up to 5000 Euro for five years in a row was given to some farmers. In 2017, the USC contribution was eliminated for low- and middle-income earners. Furthermore, the Earned Income Tax Credit was increased and all taxes on inheritance was reduced. In 2018, the USC contribution rates have been further reduced and the Earned Income Tax Credit, for self-employed people was increased. A sugar tax was introduced for sugar-sweetened drinks and the excise on tobacco further increased (Government of Ireland, 2013, 2014, 2015, 2016, 2017).

5) *Business*

Regarding the business sector, the first taxation measure that is visible is the very low corporation tax of 12.5% that did not change between 2011 till 2018 (Government of Ireland, *Budget Leaflet,* 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017). In 2011, the government decided that private foreign investment needed to be streamlined in order to support the growth and expansion of SMEs. This would also help boost the creation of new jobs. Next, the government extended an already existing corporation tax exemption for start-ups for the first three years of activity. Furthermore, a reduction in air travel tax was achieved with the aim of boosting tourism. In 2012, the trend in increasing the amount of participant to the Jobs Initiatives (a government fund for employees) and reducing the VAT rate to ensure more tourism, was continued. Around 500 million Euro invested to support the R&D department of companies. Higher tax credits for SMEs and tax reliefs for start-ups were introduced. Furthermore, the budgets of government agencies like IDA and Enterprise Ireland were continued to be guaranteed and protected with the aim of creating more jobs and attracting new investments. Finally, to make the agricultural sector more attractive, a retirement relief measure and an Enhanced Stock relief were introduced to let the sector grow and expand. In 2013, the government came up with a five-year Capital Framework of 17 billion Euro out of which 3.5 billion were foreseen for 2013. Furthermore, new efficient ways of financially supporting SMEs were being looked into by the National Pensions Reserve Fund (Government of Ireland, 2010, 2011, 2012).

In 2014, the government introduced 25 new measures that were aimed at supporting Irish businesses and creating new jobs. For people that were unemployed but that started a new business, the government granted a two-year tax exemption to encourage and help them grow. Furthermore, the support for the R&D developments has been increased by granting a higher R&D tax credit for companies. Finally, the air travel tax was brought completely down to zero. In 2015, the low pay commission was established, responsible for making recommendations to the government about the level of minimum pay and other related matters. Furthermore, the government decided that it would be best to support SMEs by making changes to the Seed Capital and Employment Investment Incentive scheme to be more efficient. Consequently, the government continued to support the already strong export sector through better Foreign Earnings Deduction conditions and the introduction of a National Export Strategy. The government wanted to make sure that Ireland remained a top destination for Foreign Direct Investments (FDIs). Regarding the agricultural sector, it was deemed necessary to encourage long term leasing of agricultural land. In 2016, the three-year tax relief for start-up companies expired but was extended for another three years by the government. Furthermore, the minimum wage was increased to more than nine Euro per hour, which was above the European average. Retailers were supported by reducing bank transaction fees and making sure that electronic payments became the norm. The budget of 2017 was strongly influenced by Brexit since both the UK and Ireland had and still have important trade exchanges. In fact, Ireland was seeking a close relationship with the UK after it would eventually leave the EU, so a part of the public finances was redirected at preparations for Brexit. Furthermore, the government stepped up its efforts to help farmers by increasing financial help through an improvement of the Rural Development Programme and the introduction of a new Animal Welfare Scheme. Finally, in 2018, preparations for Brexit were still ongoing. For example, 300 million Euro were spent by the Irish government to provide the Brexit Working Capital Loan Scheme, designed to support SMEs. Furthermore, a new Agricultural Brexit Loan Scheme was also introduced (Government of Ireland, 2013, 2014, 2015, 2016, 2017).

As stated above the Irish budget for the years 2011-2014 had to consider the National Recovery Plan. As stated by the government 66.6% of the savings had to be achieved through expenditure cuts with the last 33.3% coming through higher taxes. This meant that in general, the Irish welfare system would receive a strong cutback. Non-essential services and benefits were reduced as in the case of the Child benefit which had not climbed back to its original amount by 2018. Vital services, for example in the Health sector, continued to be secured, however, general medicines and medical insurance coverage became more expensive. To make sure that every citizen in society could afford this, the income taxes and USC contributions were reduced, and the tax threshold increased to ease pressure on low-income earners. Furthermore, to combat unemployment, the government increasingly made it uncomfortable for people to remain unemployed by reducing unemployment benefits. Favourable conditions for start-ups was also encouraging the job seeking population to start a business. Regarding the general economic recovery, Ireland set a lot of emphasis on keeping a favourable tax environment for corporations. Ireland tried to remain an attractive country for receiving FDIs to keep capital available for domestic businesses. Furthermore, in order for the economy to continuously grow, high investments in R&D were made. Consequently, to be able to satisfy the need for well-educated employees, the government increased spending in the educational sector. Additional work and training opportunities were funded to make sure that the working population could improve its skills. With regards to the agricultural sector, the government tried to save wherever possible without making the younger population lose interest in the sector. Finally, the most drastic cuts in public expenditure were made in the public service. As mentioned in the National Recovery Plan, the government thought that it was necessary to reduce the number of public servants and at the same time also reduce public servants’ salaries cost. The only public service sector which did not reduce in staff numbers was the educational sector, which actually saw an increase in public servants. Furthermore, ways of making it more efficient such as the use of synergies was planned to further reduce waste and costs. After the National Recovery Plan ended in 2014, the public service system slowly started to recover.

ESM Interview analysis

Main actors and goals

Regarding the main actors that played a role at the international level, there has to be made a distinction between Irish authorities and international institutions, while keeping in mind their different institutional goal.

For the Irish authorities, the most active during the negotiations were the Ministry of Finance, the Irish Central Bank and the Treasury.

The Ministry of Finance is generally responsible for creating and implementing governmental policies. Furthermore, during the interview at the ESM, one of the interviewees said that they have to sell “to the other politicians that this needs to be done and why”. Their main interest was to push for the acceptance of the National Recovery plan by the international lenders.

The Central Bank of Ireland was most interested in safeguarding the financial stability of Ireland. The fact that they hired Blackrock Inc. as a consultant with the intent of increasing the stability and credibility of the Irish financial sector shows how important foreign investors are for Ireland. Furthermore, the governor Patrick Honohan in late 2010 anticipated the government at the *Morning Ireland radio* programme by saying that it would be likely that Ireland would have to ask for financial assistance to the EU institutions and the IMF. In light of the Trichet letters, this is also a strong political position to force the government´s hand. The Irish Central Bank knew that financial assistance was necessary to recapitalise the Irish banks.

The Irish Treasury (NTMA) is responsible for the national debt and thus had a clear interest in the EFSF bailout loan because it needed to regain market access and because the interest rates of the EFSF bailout loan were cheaper.

At the international level, the most active institutions were the lending parties and the European Central Bank (ECB).

The EFSF main goal was for Ireland to regain market access. Obviously, as an employee of the ESM mentioned, their interest is “to ensure that they are able to access the market and that they are able to repay us in due time”. By accepting the negotiated plan and by making sure that disbursements were only done by full compliance of the terms negotiated, the EFSF could fulfil its role.

In the case of Ireland, the ECB was most interested in safeguarding the stability of the Euro. The Irish banks, before receiving the blank guarantee by the Irish government, took many loans from other European banks that were already going through a bad period with many European banks failing the ECB stress test. This meant that another crisis could have had the power to seriously endanger the European banks and ultimately also the Euro. As the Trichet letters testify, the ECB was very interested in making sure that Ireland would request a bailout loan.

The European Commission had two roles during the Irish crisis. They first acted as the agent to the EFSF by negotiating the conditions by which Ireland would receive the disbursements. Secondly, the European Commission was directly involved in the disbursements since it was one of the lending parties through the European Financial Stability Mechanism (EFSM). The main goals were to make sure that Ireland’s economy returned back on track and that it regained access to the international markets.

Finally, the goal of the IMF was to make sure that Ireland did not pose a threat to the international economic stability, which might have happened if it had not entered the EFSF bailout loan programme. The IMF was also the only lending party that was not affiliated to the EU. In Ireland, the involvement of the IMF was seen mostly positively by Irish commentators and journalists as they thought that the IMF would not be influenced by a political goal. The fact that the IMF gave its blessing upon the programme was also a way of calming down investors and stabilise the markets.

All of these actors mentioned above are essentially the main interlocutors with which the EFSF/ESM worked and still work within the post surveillance programme. The EFSF coordinated actions with the ECB and the European Commission. It communicates regularly with the representatives of the Irish Ministry of Finance and the Irish Central Bank. Furthermore, the EFSF/ESM was and still is in contact with the Irish banks that received state aids and that are still partly in state hands.

Negotiation

The negotiations about the terms of the bailout loan between the lending parties and the Irish government were, according to one of the interviewees, extremely quick. In their experience such negotiations can take up to a few months but, in the case of Ireland, negotiations took just about "three weeks" in total. However, the same interviewee also mentioned that Ireland was not in an urgent need to get an agreement quickly. There was more time available for the Irish authorities to negotiate further but since they didn't do it, it is safe to assume that both parties were satisfied with the conditions. In fact, the negotiations were quick because, prior to them, Ireland had already delineated a plan (more specifically the National Recovery Plan) that would have tackled the issues of the Irish economy and also restored it. As stated by the European Commission (Ex post Evaluation of the Economic Adjustment Programme) the MoU was created to fit the National Recovery Plan made by the Irish government. According to the interviewee, it is "much easier to sell to the politicians because their own government departments had been responsible for this […] whereas, I think, if it's imposed, it's much more difficult". Furthermore, by supporting Ireland´s plan, the lending parties also made sure that Ireland would keep and improve the changes also once the programme finished in 2014 and all the disbursements were done.

An interesting point raised by the interviewee was also that the EFSF had no say in the different conditionalities. The European Commission was the institution that acted "as an agent to the ESM. So, on behalf of the ESM [it] negotiates and signs the MoU". The EFSF had only the possibility to agree to the plan as a whole.

In general, however, the institutions had similar opinions and were only divided on the decision about what to do with the junior and senior bondholders.

The role of plan ownership is thus also a strategy to mitigate the effects of changes in bargaining power as time goes by. At the beginning of the plan, the lending parties were in a very strong position. Ireland needed the money to finance their national debt and their banks were in need of liquidity. The idea of the bailout loan became almost inevitable for the Irish government once the interest rates on the international market became too high to sustain. Furthermore, the Irish Minister of Finance received in 2010 letters from the ECB President that were encouraging Ireland to request the bailout loan otherwise some liquidity help from the ECB would have not been guaranteed. During the programme, there are obviously the tranches that need to be disbursed and here more pressure can be put on the beneficiary country. However, after the programme, there are not many instruments that the EFSF or the lending parties can use as a leverage in further negotiations. The possibility of a debt relief is one way of influencing the countries decision and then the post programme reports and press releases that the ESM publishes. That is why plan ownership is so important.

In June 2013 there has been a request by the Irish government to amend the previously agreed plans (Loan Facility Agreement, First Financial Assistance Agreement, Second Financial Assistance Agreement and the Master Financial Assistance Agreement). The amendment was accepted and it changed the date when the loans of the EFSF and EFSM matured (most of the loans were due in 2016 but were postponed between earliest 2029 and latest 2034) and the interest rate of these loans. The interviewees of the ESM stated that "it was a consistent application of more favourable conditions to give some more space to the countries to recover". However, although Ireland officially requested the amendment, it was already decided at the Eurogroup level that all countries that were in one of the ESM programmes should benefit from the same low-interest rates.

Credibility

During the interview, one of the experts stated that once Blackrock Inc., an American investment management corporation, became the official consultant of the Irish Central Bank during the National Recovery Plan, the domestic Irish banks became more willing to share the information. According to the interviewee, Blackrock Inc. became the consultant of the Irish Central Bank after the lending parties expressed their support to this idea. This could be seen as a way of safeguarding the credibility of the EFSF programme and calm down the international markets in regard to Ireland. As a matter of fact, Ireland lost Moody's investment grade in 2011 and just regained it in 2014. This is mainly because Ireland successfully concluded the EFSF programme and showed good growth rates.

Furthermore, the Irish government officially requested in September 2014 to repay the IMF loan that was part of the EFSF programme and a first early repayment was made in November 2014. The official reason given by the Irish treasury, the NTMA, was that Ireland could save about 150 million Euro. However, one of the interviewees said that a country always has "to justify the per-payment with […] the fact that you get an economic benefit". However, a colleague added that it is "also to get a better political gain, to say: We are out of the programme. We repaid the IMF." So, on the one hand, it is true that Ireland decided to pay earlier for debt sustainability reasons, but it is also true that politically this has given the Irish economy a boost in terms of reputation and credibility.

Finally, about a possible debt relief for Ireland, as taken into consideration by the Irish government till mid-2016 when the Irish Finance Minister Michael Noonan announced that Ireland would not seek a debt relief anymore, the interviewees were all converging on the same opinion. The probability that Ireland will ask for a debt relief in the future is very low. The first reason that one of the experts gave during the interview is that "the terms of the assistance were quite favourable". Furthermore, since "the [interest] rates were lowered, and the maturity was lengthened", there was no real need for the Irish government to take the risk to request a debt relief. The risk is fully political because "asking for a debt relief just makes you look bad". In the end, a debt relief is viewed as a "last resort" measure because "it would make investors nervous" and hurt the partly restored credibility and stability of Ireland. However, the interviewees all stressed that this would stay true just if nothing substantial changes. A possible debt relief could be requested by the Irish government in the future but, according to the interviewed ESM employees, this will be very unlikely unless something abruptly changes, and Ireland is back in an economic crisis.

Finally, with new insights, hypotheses four and five can be answered. The fourth hypothesis was:

H4. Irish domestic interest groups became active and steered the negotiation process.

As mentioned by one of the interviewees, the negotiations developed very quickly. In fact, the MoU had been adapted to fit the National Recovery Plan (European Commission, 2015). In this case, the main lobbying activity of the interest groups was made before negotiations with the lending parties started. Therefore, hypothesis four can be rejected.

H5. Whenever possible, the Irish government exploits any opportunity to strike beneficial agreements in favour of the domestic interest groups.

During the negotiation phase, the Irish government managed to convince the lending parties that the National Recovery Plan was valid and that it would have been the best solution to Ireland's problems. Furthermore, the Irish government did play with the thought of asking for a debt relief but didn't formalize the request because it could have had potential negative effects on the domestic interest groups. Finally, the government of Ireland promptly requested, through an amendment of the financial assistance agreements, a reduction of the interest rates to the bailout loan and an extension of the maturity period of the loan installments from the EFSF and the EFSM. Upon this information, hypothesis five can be accepted.

Conclusion

The aim of this study was to understand how Ireland managed its domestic interests while, at the same time, trying to comply with the external demands made by the EFSF and the Troika. As seen above, the Irish government strongly emphasised that the National Recovery Plan would have asked everybody in society to contribute to the economic recovery. Since the government was responsible for the creation of the four-year National Recovery Plan, it was also the main target to be influenced by lobbyist organisations. According to LI, the policy measures that were undertaken during the plan should have been the result of the aggregation of all preferences. The interest groups shared preferences and compromises, then they should have defined the plan in itself. However, while looking at the policy measures broadly delineated by the National Recovery Plan and the actual budget allocations for the years during and after the plan, it becomes visible that the government decisions/preferences seemed to be skewed towards industry/business interests rather than taking the other interests equally into consideration. This is just as LI predicted. According to Moravcsik (1998), interest groups that are highly organised like agricultural and industry lobbies should prevail over non-organised interest groups like taxpayers. In the case of Ireland, taxation was supposed to account for 33% of the total consolidation measure and was mostly equally impacting low, medium and high-income earners. Actually, there was a strong conviction that the vulnerable needed to be protected at all costs. This can be seen in the taxation developments for the USC contribution as the rates for low-income earners were constantly decreased and the threshold increased. Similarly, also the income tax mirrored this government mantra of making sure that everybody had to contribute equally to the economy. The oddity is pictured by the low corporation tax that was in no occasion changed. Furthermore, the government vehemently argued for keeping that tax as low as it was, claiming that it was the cornerstone of the Irish economy and that it would help Ireland thrive again. Needless to say, that the industry lobby welcomed this attitude.

When looking at the Irish public expenditure cuts, this trend becomes even more clear. As mentioned above, the Irish government identified three broad policy measures (1. Labour market reforms, 2. Steps to reduce costs and 3. Public Administration improvements) that were necessary to lower unemployment and boost exports. When looking at the Irish budgets between 2011 and 2018, cuts mostly concerned the Irish welfare and the public service pay and personnel. Public expenditure for the Unemployed and the Health sector was lowered down to a minimum. On the other hand, heavy investments were made for R&D projects to innovate and modernize the Irish companies. The creation of start-ups was incentivised by securing support from government agencies, like Enterprise Ireland and IDA, and by granting tax reliefs. All these policy measures were directed at ensuring that foreign capital continued to flow in the direction of Ireland.

There were two main reasons why businesses were favoured over the other interest groups in the case of Ireland. The first reason is to be attributed to the fact that interest groups representing businesses are highly organised, as LI expects. The second reason is that the government identified the industry to be the sector with the power to bring Ireland's economy faster back to pre-crisis levels.

Interestingly, although the government was strongly supportive of the industry sector, it went against its wish not to request financial assistance from the EFSF and the Troika. Out of the interest representations analysed above, the industry was the most hostile towards the bailout loan. It is important to understand what might have influenced the government in making such a decision because it is something that LI would not directly expect, especially because the Irish government strongly negated any intention of requesting financial assistance. In this case, the Irish Central Bank played an important role. For LI Central Banks are not a key actor that can influence the government. However, in Ireland, the Central Bank strongly pushed for the bailout, as displayed by the intervention of the Governor of the Central Bank of Ireland at an Irish radio show. There he publicly announced that Ireland was probably going to request financial assistance. Furthermore, in the publicly available letters sent by Jean-Claude Trichet to the Irish Finance Minister, a clear reference was made to the Governing Council of the ECB. The Governing Council of the ECB is made out of the Executive members of the ECB and the Governors of the national Central Banks of the Eurozone, meaning Ireland´s Central Bank Governor too.

In my opinion, LI should expand more on the fiscal responsibility and economic efficiency concept by which governments are bound to achieve good competitiveness of the national economy. Especially regarding the economic efficiency concept, Central Banks play an important role, in particular in Europe where interdependence between countries is so high. The risk of a complete breakdown of the Irish financial sector, which could have caused strong negative effects to other European countries and banks which were already weakened by the financial crisis of 2008, became also a problem for the ECB. For the Central Bank of Ireland, requesting financial assistance to the EFSF and the Troika was thus the only possible solution to quickly recapitalizing and saving the Irish banking system. In future studies, the role of the Central Banks needs to be analysed further because, as seen in the case of Ireland, central banks are active at the national and international level at the same time. Furthermore, they are independent of the government or from a political ideology which does mean that they can follow their own agenda being possibly also in contrast with the national preferences.

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