

[Bailing out Ireland means bailing out the banks... again](#) [1]

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The bailout for Ireland presents quite an extraordinary situation. Essentially, British taxpayers are being asked to borrow on Ireland's behalf to provide funds for the bailout at lower rates than the Irish could get at the international bond markets. Governments using their taxpayers' money to gamble that the bond markets have an excessively pessimistic view of Ireland's situation. But so far, the opposite has been true – time and time again, Ireland's situation has defied expectations for the worse. There is no reason to think that now is any different – except that now, the people at risk will be British, Irish and European taxpayers, not bond traders.

Claims that the bailout is needed to protect British trade with Ireland are erroneous. As Eamonn said earlier today, giving a bailout to Ireland in order to defend British trade is a bit like giving your bankrupted neighbour a thousand pounds in the hopes that he'll spend some of it in your shop. What British businesses need is for Ireland's economy to start growing again – which requires lower Irish national debt and lower taxes, exactly the opposite of what the bailout will bring to Ireland.

This argument is a canard: in reality, the government is paying for another bank bailout. Our money will largely go towards protecting bank bondholders in the UK, Germany and France who lent to Anglo Irish Bank and AIB during the property bubble. As John Redwood [says](#) [3], the bailout will shift risk from banks and their bondholders to the Irish state and taxpayer, with the British taxpayer putting up part of the collateral for this. There is no sense in this: saddling the Irish with even more debt will only make recovery even less likely, and the rumoured tax rises imposed by the IMF and EU will smother the baby in the cradle. Irish economist David McWilliams has [proposed an alternative](#) [4] – a debt-to-equity swap, which would partially cushion the blow to the European financial sector without passing the damage on to the taxpayer.

Giving a bailout to Ireland's government is much the same as giving a gambler an extension on his low-interest credit card in the hope that he'll eventually win everything back. The bond markets, pricing Irish debt at an enormous level, are not so naïve as to do this – it's a pity Britain's government is.

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