

## [Britain should have no part in an Irish bailout](#) [1]

Written by [Sam Bowman](#) [2] | Monday 15 November 2010



If, as now seems likely, the European Union [bails out](#) [3] Ireland's government to avoid an Irish debt default, the British government will be liable for [up to £7bn](#) [4], or 12% of the bailout's cost. This would be a colossal mistake for Britain and Ireland, making the British taxpayer suffer for the mistakes of Ireland's government and allowing the latter to continue its negligent economic policies for even longer.

The Irish bubble emerged because of a 'perfect storm' of policy errors by Ireland's government. The property bubble and other debt-financed bubbles were driven by an artificially-low interest rate caused by Ireland's membership of the Euro, which was always a political rather than an economic project. This bubble caused over a decade of breathtakingly profligate government spending, which distorted perceptions of the future so badly that Ireland's government committed itself to a 100% guarantee of bank deposits during the financial crisis. This was aimed at being a way of avoiding bank panics for free – just as it did during the 'Celtic Tiger' bubble years, the Irish government was trying to get something for nothing.

At all stages, the Irish crisis was created by gross errors by the Irish political class. And, as Professor Morgan Kelly's recent [Irish Times article](#) [5] showed, the Irish state's continued commitment to the bondholders of Irish banks is driven by wider concerns for the eurozone. The socialization of bank losses could easily have been avoided and, as Tim Worstall wrote yesterday, Ireland could yet join Iceland in the difficult, but non-catastrophic, default club.

Ireland defaulting would cauterize its bleeding economic situation, but it would also harm the eurozone – hence the mooted bailout for Ireland. But this bailout will increase the moral hazard that gives eurozone states the same leeway to be irresponsible that banking deposit insurance and the prospect of bailouts gave to banks prior to and during the financial crisis. Ireland needs a cold shower to wake up from its years of bad policymaking, not a bailout that redistributes its mistakes among other countries.

There is no question of altruism here. The only winners in a bailout for Ireland would be the European Union and the Irish political class – not the Irish people. The bailout would absolve Ireland's political class of its recklessness and would waste a massive amount of British taxpayers' money. Britain should have no part in it.

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