**The Pope's Children: The Emergence and Disappearance of the Celtic Tiger**

Among the leading books written in Ireland during the first decade of the twenty-first century is one called *The Pope's Children* by economist David McWilliams. It is an interesting description of the emergent "Celtic Tiger," a term coined by himself.

McWilliams traces a line of demarcation between old, provincial, and poor Ireland before the 1980s and Ireland with the fastest-growing economy in Europe. The latter is (or was) an Ireland of wealth, conspicuous consumption (what he calls an "expectrocity," a term that speaks for itself), and the emergence of a middle-class nation. He describes the new economy in such a way that the Irish appear to have become Americans, complete with middle-Atlantic accents, and Catholics appear to have become ascendency Protestants.

The line of separation is the visit of Pope John Paul II in 1979—hence the title *The Pope's Children.* Like the baby boomers of America, this group has developed mores and financial and cultural expectations that created for them a new country. The Pope's Children currently number over a million, influence the entire nation, and are (or were) flush with money borrowed ultimately from the EU.

Dublin came to be filled with metropolis-like towers that are now empty or unfinished. Gated suburban communities that sprang up almost out of nowhere are now overgrown by lush Irish landscape. Condos and empty new housing are fast becoming ruins as big as the old castles and the ancient monasteries. Cities have seen the influx of porn and other unsavory entertainment. Gangs have staked out territories and rule them like Mafiosos. Drugs and alcohol proliferate among the youth of Ireland. The religious and spiritual values that once marked Irish Catholics are long gone, and the Catholic Church itself has a large share of the blame for that. Political, banking, and other financial institutions are rife with corruption.

McWilliams has done a great job in describing how the Celtic Tiger came to be. Irish men and women on average were the wealthiest of Europeans. The ink was still wet on McWilliams's book, however, when everything collapsed and the Celtic Tiger became a whimpering kitten. The money is spent and gone. The new culture and expectations still remain. The collapse is actually a perfect storm. The culture that we once knew as Irish began to change dramatically throughout most of the country during the 1990s. The Catholic Church, once the dominant institution in the country, lost most of its credibility as a result of the scandals over clergy sexual abuse and the lack of episcopal leadership; the government tottered under the weight of its own corruption; and the financial system shifted toward implosion because of obviously faulty banking practices. All of these factors were pretty much simultaneous.

The question remains, "Where did all the money go?" One answer to the question is that Irish citizens spent it. Another answer is that the Irish political elite allowed the overlapping financial elite to build a self-enriching house of cards that eventually collapsed, with tremendous collateral damage to Irish citizens as a whole.

Let’s look at some thoughts on that subject because the problem parallels our own financial collapse in the United States.

The Irish economy hurtled into debt at an alarming rate. The country actually went to the very edge of bankruptcy before the bailout from the European Union. The first part of the problem was expanded government spending. During the boom times the government raised state spending in line with growing tax revenues, especially from property transactions. With the collapse of an economy fueled (especially after 2000) by housing and other construction, tax revenues dwindled and government spending initially stayed the same. Until 2009 government spending was pegged at a figure that was almost twice its revenues from taxes and other sources.

A second issue is the near-collapse of the banking system. In September 2008 the Irish government guaranteed all the liabilities of the banks. In order to make good on this guarantee, the government eventually injected 50 billion euro (70 billion U.S. dollars) into the banks and building societies to prevent their collapse. The banking system was crashing because the value of the loans extended to property developers and other big borrowers went south at an alarming rate. Banks wound up with staggering loan losses on their books and soaked up enormous amounts of government-injected capital to stay afloat. A lot of property developers and construction magnates temporarily became spectacularly wealthy, but when the property bubble burst, they found themselves submerged in a tsunami of debt, and the banks (and ultimately Irish taxpayers) were left holding the bag.

Of course, those who had land or houses to sell while the boom lasted (land speculators, home builders, numerous large farmers, and certain urban property owners) made fortunes. The money that the banks loaned out was borrowed from the international money markets, and the money to bail out the banking system was also borrowed. So the debts that have to be repaid now amount to over 100 billion euro ($130 billion U.S.), with high interest rates attached.

Some of the billions that were borrowed trickled down through the system during the good times before late 2007, and the wages of bricklayers, electricians, and construction workers escalated. In addition, fees for professional services throughout the country rose proportionately.

On the consumer level, ordinary houses in good suburban locations that had previously sold for 100,000 euro were now selling for a million. Everyone wanted a flat-screened TV, an SUV in the driveway, and two vacations a year. The price of all consumer goods escalated. The emergence of a large middle class required a high-maintenance lifestyle. Meanwhile, manufacturing was handicapped. Foreign companies that once boosted Ireland’s economy were leaving the country because the business climate was no longer sustainable. Ireland lagged behind other economies in Eastern Europe in competitiveness.

Meanwhile, state workers, a high proportion of the employed population, fought for wage increases on a par with the booming economy. State-paid teachers now earn one-third more than their U.K. counterparts.

How are all these problems to be fixed? First of all, the European Central Bank and the International Monetary Fund, the lenders of the bailout money, have insisted on practices to preserve their own investments in the country. The main strategy involves a draconian national budget as an integral part of a four-year austerity plan. This will be extremely painful because the populace has become accustomed to state services that will be greatly reduced or will no longer exist. Furthermore, the IMF will do a benchmark study after the first year. If the Irish effort at austerity is failing, the IMF will exert its muscle, and Ireland will be in danger of losing its economic independence for some years at least.

The manufacturing infrastructure has to be rebuilt, and the government has to encourage foreign investment by lowering the costs of doing business in Ireland. Domestic entrepreneurship has to be encouraged in order to provide more jobs for the Irish people.

There will almost certainly be a change in government early in 2011. In addition to administrative skills, the new political leaders should have demonstrable integrity and act with appropriate transparency. Politicians at every level should walk with their pockets turned inside out. Public service can no longer be a source of personal enrichment. Corruption on any level is unacceptable and should be a punishable crime.

This is just a brief overview of the principal features of the Ireland's rise to Celtic Tiger status and its recent economic collapse. The driving forces in bringing Ireland to its current low estate were greed and political stupidity, coupled with the effects of the worldwide economic recession. There are profound lessons to be learned here. As Fintan O'Toole has argued in a new book, *Enough Is Enough: How to Build a New Republic* (London: Faber and Faber, 2010), the Irish political system needs to be radically reformed from the local to the national level.

Further reading:

David McWilliams, *The Pope's Children*.

David Lynch, *When the Luck of the Irish Ran Out*. Lynch is a journalist and this well-documented book describes the Irish economic meltdown.