

'Beautifully written and
surprisingly easy to digest'

– SHANE ROSS

WHAT IF IRELAND DEFAULTS?

Edited by BRIAN LUCEY,
CHARLES LARKIN and
CONSTANTIN GURDGIEV

What if Ireland Defaults?

“Beautifully written and surprisingly easy to digest, this book digs deep into the default debate. The insights into the consequences of default for Ireland are compulsory reading for the mandarins of Finance and the false gods of the NTMA. The detached views of such a distinguished cast of characters offer far more enlightenment than you would find at the Cabinet table.”

Shane Ross, independent TD, author and business editor of the Sunday Independent

“This is a significant and timely written symposium from a very broad spectrum of opinion holders on the crucial issues for Ireland in respect of the viability of the ECB–IMF bailout and the consequences of its possible failure. Whether one hopes for failure or believes in success, and regardless of whether one agrees with some or none of the contributors, the articles are a must-read for citizens of an embattled society facing difficult but inescapable choices on the future of their Republic, and they will be quoted for years to come in the ongoing debate upon which we are launched.”

Michael McDowell, barrister and former Minister for Justice

“Sober, balanced, comprehensive, and heavy with facts, *What if Ireland Defaults?* is necessary reading for anyone who wants to understand how the world will deal with a future of fiscal crises and moral hazard.”

Dan Mitchell, senior economist with the Cato Institute

“Rather than hide behind the sofa every time the word ‘default’ is mentioned, we need an intelligent discussion of what it means and doesn’t mean for economies, societies and citizens. This book brings together a wide range of perspectives and fact-based analyses on a topic that will dominate political debates for years. Read this, agree or disagree with the contributors, but let’s start acknowledging that debt is an over-riding political issue.”

Michael Taft, research officer with UNITE

What if Ireland Defaults?

edited by

BRIAN LUCEY, CHARLES LARKIN AND CONSTANTIN GURDGIEV



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Brian – *To my wife, Mary, my support in all*

Charles – *To my parents and Jane for their help and support*

Constantin – *To my wife, Jennifer Hord, for her infinite patience and support*

We would like to acknowledge our contributors, editors and all those who made this book possible.

Please note that all dollar amounts are in US dollars unless stated otherwise.

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List of Acronyms

| | |
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| BIS | Bank for International Settlements |
| CADTM | Committee for the Abolition of Third World Debt |
| CBI | Central Bank of Iceland |
| CIS | Commonwealth of Independent States |
| COMECON | the common trade area of the former Warsaw Pact |
| DCU | Dublin City University |
| ECB | European Central Bank |
| EFSF | European Financial Stability Facility |
| EFSM | European Financial Stability Mechanism |
| ESM | European Stability Mechanism |
| FÁS | Irish National Training and Employment Authority |
| FDI | foreign direct investment |
| GDP | gross domestic product |
| GGD | general government debt |
| GKOs | Russian state-issued short-term bills |
| GNI | gross national income |
| GNP | gross national product |
| HIPC | Heavily Indebted Poor Countries |
| HIRC | Highly Indebted Rich Countries |
| IBRC | Irish Bank Resolution Corporation |
| IMF | International Monetary Fund |
| ISK | Icelandic krona |
| LTV | loan to value |
| MAC | Municipal Assistance Corporation (New York) |
| MNC | multinational corporation |
| NAMA | National Asset Management Agency |
| NPRF | National Pension Reserve Fund |
| NTMA | National Treasury Management Agency |
| NYC | New York City |
| OECD | Organisation for Economic Co-Operation and Development |
| PSI | private sector involvement |
| S&P | Standard and Poor's |
| SDRM | Sovereign Debt Restructuring Mechanism |
| UCD | University College Dublin |

UDC Urban Development Corporation (New York)

WPPSS Washington Public Power System Supply

About the Contributors



Brian Lucey is professor of Finance in Trinity College Dublin and a prolific author and commentator on financial and banking issues. He has worked at Trinity since 1992. Prior to that he was an economist at the Central Bank of Ireland (1987–1992), and before that an administrative officer in the Department of Health (1985–1992). He has a BA in Economics from Trinity College Dublin (1985), an MA in International Economics, Trade and Politics from University College Dublin (1988) and a PhD in Finance from Stirling University (2003).



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Constantin Gurdgiev is the head of research for St. Columbanus AG, a Swiss-based asset management firm, and the adjunct professor of Finance in Trinity College Dublin. He currently serves as the chair of the Ireland Russia Business Association, and holds non-executive appointments on the investment committees of GoldCore Ltd (Ireland) and Heinz Global Asset Management LLC (US). Constantin also lectures in the Smurfit Graduate Business School, University College Dublin and serves as a visiting professor of Finance in the Russian State University. In the past, Constantin served as the head of macroeconomics with the Institute for Business Value, IBM, director of research with NCB Stockbrokers Ltd, and group editor and director of *Business & Finance* Publications. Born in Moscow, Constantin was educated in the University of California, Los Angeles, University of Chicago, Johns Hopkins University and Trinity College, Dublin. He writes a daily blog at trueeconomics.blogspot.com and a number of regular columns in the international and Irish press.



Sean Barrett is the current senior lecturer in the Department of Economics, Trinity College Dublin and has enjoyed a distinguished career in academic circles along with holding high-ranking positions outside of the college, many of which have had a direct effect on transport policy and the tourism industry of Ireland. After graduating from University College Dublin in 1973, Sean went on to obtain a Masters at the highly regarded McMasters University in Canada before returning to UCD to gain his PhD in Economics. Following the completion of his studies, Sean took up the post of lecturer in the Department of Economics in Trinity College Dublin in 1977 and has gone on to enjoy a 34-year-long career in the college. Over the course of his career Sean has made a reputation for himself as one of the foremost economists in Ireland. With over eighty-five different publications, mostly on his expert topics of transport and social policy, he is one of the most published economists in Ireland. However his achievements in economics have not just been limited to academic discourse, as he has been a key figure in legislation, most notably in his role as director of Bord Fáilte in 1984, where he was instrumental in the successful deregulation of Irish airlines, and his role as a vital member of the National Economic and Social Council since 2005. He was elected to Seanad Éireann by Trinity College graduates in April 2011.



Peter Brown is former chief dealer and head of the treasury team in Barclays Bank. He is also the co-founder of the Irish Institute of Financial Trading. Peter is currently the main lecturer in the Irish Institute of Financial Trading, specialising in trading courses. His media profile as a financial commentator has led to him being highly sought after by media in Ireland, the UK and continental Europe. Peter gained his extensive trading knowledge working in Citi Bank, Banque National de Paris, Ulster Bank and ten years in Barclays Bank. He experienced firsthand the British pound crisis of 1990s, giving him deep insight as to how the markets will react to the current Eurozone debt crisis.



Elaine Byrne is an adjutant lecturer at the Department of Political Science at Trinity College Dublin, where she has taught Irish Politics and Comparative Political Reform. Elaine has acted as a consultant for the United Nations, the World Bank, Transparency International and Global Integrity. Her first book, *Political Corruption in Ireland 1922–2010: A Crooked Harp* (Manchester University Press), was published in 2012. Elaine is a regular political columnist and her by-line has featured in the *Irish Times*, *Sunday Times*, *Sunday Business Post*, *Sunday Independent*, *The Times* and *The Guardian*. She is a regular contributor to Irish and international radio and television on Irish political affairs. Elaine combines her academic and media work as a political reform campaigner. Her advocacy work can be accessed at www.politicalreform.ie (co-editor) and from the deliberative democracy initiative www.wethecitizens.ie (co-founder). Her portfolio can be accessed at www.elaine.ie.



Seamus Coffey is a lecturer in the School of Economics in University College Cork. His teaching ranges across undergraduate and postgraduate courses with a particular emphasis on the relationship between government and the economy for undergraduates and applied statistical techniques for postgraduates. He is the programme director for the MSc in Health Economics, which has been running since 2007. His primary research area focuses on access to and utilisation of health services in Ireland and he is currently undertaking a PhD on this topic with the University of Manchester. He is a frequent contributor to the broadcast and print media on the ongoing crisis in the Irish economy.



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Michael Dowling is a lecturer in Finance in Dublin City University since 2011, with previous employment including positions in the University of Essex and Trinity College Dublin. He holds a Masters in Banking and Finance from the University of Stirling, and a PhD, awarded in 2007, in Behavioural Finance from Trinity College Dublin. His research concentrates on psychological influences on investors and companies, and exploring how culture plays a role in societal and individual economic decision making. Among his publications include research published in the *International Review of Financial Analysis*, *Journal of Economic Surveys* and *Journal of Multinational Financial Management*.



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