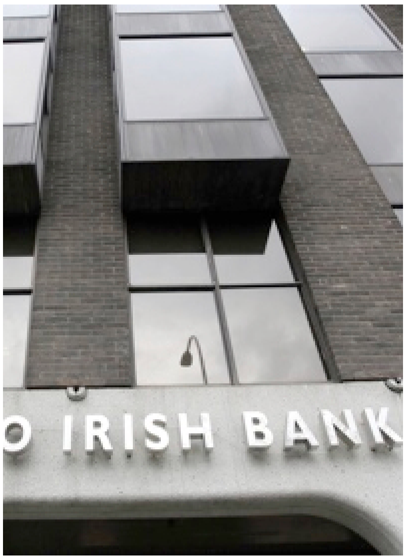
Irish Government Near Collapse from Debt Crisis



The financial crisis in Europe, which paralyzed Iceland, which sent Greece into a spiral of angry confrontations with public employees unions, which is tottering Portugal and Spain, and which now is shaking Ireland, has produced a collapse of the government. A $100 billion bailout from the European Union — equal to almost $25,000 per person in the Republic of Ireland — is the catalyst for the collapse of the government. Moody's has lowered the rating on Irish debt, meaning that the interest required to pay this government debt will rise.

The bailout also is affecting the whole shaky structure of the European Union, which increasingly resembles a "Ponzi" scheme of paying back debt. With Greece, Spain, Portugal, Ireland, Iceland (and soon, Italy) facing perilous disconnects between government expenditures on one hand and the combination of government revenues and government ability to sell bonds on the other hand, the whole financial structure of that super-governmental creature, the European Union, looks more and more like a house of cards. It is no coincidence that all of the governments that are teetering on the edge are ones which have surrendered control over their money. It is also no coincidence that the governments that have been relatively responsible with their public obligations, such as Germany, have been the most insistent that bailouts be tied to austerity.

What is happening across the Atlantic seems certain to be coming to a state near you. California seems almost wholly immune to fiscal sense, and the current federal policy regarding "too big to fail" seems likely to produce Sacramento as a government which, if it cannot pay its bills (it, really, cannot pay them now) will need to be bailed out to protect the whole economy, as well as all the pools of investors who hold California state debt in their portfolio (rather like British bank holdings of Irish debt are helping push the Irish bailout).

In Ireland, the general election, almost certain to follow the national budget in early December, will also likely produce a new government for the Emerald Isle. But the new government will find its ability to actually do anything hamstrung by international players who more and more effectively control the public debt of many European nations. Will the sovereign states of our nation find, in federal bailouts, even more control over the last vestiges of their independence? What happens in Europe may, in part, provide the answer to that question.

Photo: The offices of a branch of the Anglo Irish Bank in central Dublin, Ireland, Nov. 16, 2010.: AP Images