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INTRODUCTION

by Aziliz Gouez

The opening of the seventh Irish Presidency of the Council of the European Union coincides with the 40th anniversary of Ireland's formal accession to the European Economic Community, on 1st January 1973. This coincidence in time invites us to cast a gaze, both retrospective and prospective, on Ireland's relation to Europe. Not because of some fetish for dates. More fundamentally, the contemporary historical moment corresponds to a critical juncture in the trajectory of both the Irish State and the European project. By putting an abrupt end to a solid trust in the strength of the common currency and to two decades of professed faith in the virtues of the financial sector as an engine of prosperity, 'the crisis' introduced a breach in time, the opening up of a different future. For the Irish people, the collective horizon now hinges upon a capacity to sustain long-term debt repayments. And for Europeans at large, the continuation of the integration process depends on the ability of their leaders to agree on the common rules necessary to consolidate the euro area's architecture and invigorate economic growth, as well as on their persuasiveness in winning popular support for these further steps.

The interviews gathered in this publication – with Pat Cox, Lucinda Creighton, Micheál Martin and Peter Sutherland – all provide essential keys to grasp the specificity and subtleties of the Irish debate on Europe, both historically and in its most recent developments. They are primarily targeted at a non-Irish audience, but Irish readers may equally learn from the insights offered by these four prominent actors and thinkers of their country's European life. Without disclosing the detail of the interviewees' arguments, I shall present, in the first section of this introduction, an overview of some of the main issues which, in retrospect, they identified as having shaped Irish perceptions of Europe over the course of the last forty years. The second section is dedicated to assessing the rupture introduced by the unfolding crisis. Building upon the elements of analysis put forward in the interviews, it outlines the ways in which the question of debt informs the present and likely future of Ireland's relations with EU institutions and its European partners. This assessment also draws on the paper written by Tony Brown, of the IIEA,[3] on the 2012 Irish referendum on the 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union' (or so-called Fiscal Compact), which provides useful hints of the trends coalescing in today's Ireland, suggesting the emergence of a new class divide in the Irish vote on Europe. This paper, and the four interviews that follow, help us address a question that has a Europe-wide resonance: how are political and social expectations reframed when the future is no longer indexed on notions of 'progress'?

1. Constants and variations in the Irish debate on Europe

There is a deliberately repetitive character to the questions I put to my four interlocutors: going back, with all of them, to the accession referendum of 1972, and then moving through the successive treaties, up to the recent discussions on the Fiscal Compact, the goal was to unveil constant trends as well as turning points in the relations between Ireland and the EU. Even though Minister Creighton and Messrs Cox, Martin and Sutherland, who are all fervent proponents of the European idea, broadly identify the same milestones and structuring features of the Irish debate on Europe, each of them sheds light on distinct aspects of every key element in this debate – be it military neutrality, the question of abortion, or the role of structural funds. Therefore I invite readers to delve into the interviewees' subtle analyses and shall content myself, here, with emphasising a few points.

1.1. European promises

Two great European promises find particular resonance in Ireland. The first one is that of peace, a notion which in the Irish context – quite uniquely for a European country – does not allude primarily to the Second World War. As Pat Cox notes, Ireland had only an 'Emergency' when the rest of Europe had a war. For the Irish, the meaning of WWII has more to do with the shaping of a national tradition of military neutrality than with the imperative of supranational cooperation between yesterday's foes that guided the core European countries' first steps towards institutional integration. Nevertheless

3. Institute for International and European Affairs.

the European narrative of peace and reconciliation has been an inspiring one for the resolution of the conflict between Republicans and Unionists in the northern part of the island. The success of the peace process in Northern Ireland is to be credited primarily to the will of the actors in the conflict themselves and the actions of the Dublin and London governments, with the assistance of the American administration. But the European Union did play an important role in facilitating negotiations, in rendering the border between the North and the Republic more porous, and in making available structural and cohesion funding that helped develop the border region's depressed economy.

The second European promise which Ireland fulfilled in a most spectacular way is that of prosperity. Éamon De Valera's[4] post-War of Independence autarchic visions had not sufficed in liberating his country from Britain's economic grip and, on the eve of accession to the EEC, in 1973, Ireland was still highly dependent on the British market for its mostly agricultural exports. Britain at the time had a slow growing economy (it had to ask for an IMF loan in 1976), and a policy of low food prices, which had the knock on effect of keeping Irish wages stagnant and emigration soaring. All changed with Ireland gaining access to the European common market: after two decades of slowly catching up with the rest of Western Europe and a painful fiscal crisis in the 1980s, the Irish economy took off dramatically in the mid-1990s. There is no need to dwell on this transformation, for word has been spread of the Irish 'success story' well beyond the shores of the island. Ireland, especially in its 'Celtic Tiger' incarnation, has been held up as a model for its ability to make blossom the economic benefits of European integration, with European officials emphasising the role of the Common Agricultural Policy and structural funds, and Irish analysts rightly reminding them of the equally important role played by an industrial policy tailored to attract foreign investment into the country.

1.2. A bone of contention: Ireland's corporate tax rate

One instrument in particular has been of critical importance to Ireland's competitiveness over the course of the last four decades: its low corporate tax rate. The reform of the country's taxation system played a crucial role in the

4. Éamon De Valera was the founder of the Fianna Fáil party and the tutelary figure of Ireland's first decades as an independent state. In his vision, a central role was assigned to the self-sufficient Irish farmer as the nation's backbone.

shift from what Micheál Martin calls an "isolationist past" to an era of intense integration into European, and even global, trade networks. Initially designed to attract foreign companies into the country, as Ireland was preparing for free trade under the impulse of Seán Lemass, in the 1960s, Ireland's corporate tax rate was progressively lowered, down to its current level of 12.5%, and extended, to encompass all types of companies, including domestic ones. This issue has become a bone of contention in the relations between Ireland and its European partners. The Irish have sometimes been caricatured as begging for money in Brussels, while at the same time pursuing a policy of fiscal dumping and playing on their relative poverty in order to obtain the European institutions' tolerance on the matter.

Non-Irish readers will find it most instructive to hear what our four interviewees have to say on this subject. They unanimously make a case in favour of holding on to this taxation policy, and they have powerful reasons to so argue. Their arguments may be of particular interest to French readers – not only because France is a country where the loud crusade of President Sarkozy against Ireland's corporate tax rate gave the issue a lot of publicity, but also because French minds, with their taste for normative equalisation, have a distinct difficulty in accepting that federalisation may not necessarily rhyme with harmonisation. Yet, as emphasised in the postface by Hervé Amoric and Gwendal Sousset, current discussions at European level around fiscal union, and the Commission's proposals on the Common Consolidated Corporation Tax Base (CCCTB) bring the spotlight back on to the Irish corporate tax rate. And there may well be a contradiction between Ireland's integrationist stance on some of the euro area's dossiers – *e.g.* on the banking union – and its reluctance to revise its position on corporate taxation. There are difficult negotiations ahead for the Irish government, who are likely to defend their position all the more wholeheartedly as the 12.5% rate is of even starker importance in the current dire economic context. The Irish economy is today characterised by a two-tier regime: exports have started rising again, the balance of trade is positive, but domestic activity is very flat, as the gap between GDP and GNP reveals. More than ever, Ireland relies on the activity of foreign companies based on its territory, the first amongst these being American multinational corporations.

1.3. Between Boston and London

Quoting a statement made by the US Secretary of State Hilary Clinton during her last visit to Ireland, in December 2012, the postface to this Study provides striking facts and figures on the level of American Foreign Direct Investment in Ireland. The economic relations with America are of huge importance to the small island and, as emphasised by Lucinda Creighton in her interview, of the eleven informal Councils organised by the Irish Presidency between January and June 2013, one will be dedicated specifically to EU-US trade. But these economic links do not account for the full depth of Irish-American relations: there is also a strong, constitutive identity dimension to this connection. For all the benefits of membership in the EU, a European equivalent to the American dream hasn't yet arisen in the Irish collective psyche. In Ireland's popular culture – in its songs, stories and novels – the memory of post-famine emigration to America by far supersedes the faint trails of the Wild Geese across Catholic Europe. This is not to say that cultural links with continental Europe haven't been strengthened over the course of the last four decades: tourism (facilitated by low cost airlines), participation in Erasmus programmes, Irish investment in property in the sun-drenched Southern European regions, or the arrival to Ireland, from 2004 onwards, of tens of thousands of workers hailing from Poland and other Central and Eastern European countries, are but a few of the developments that have brought the Irish closer to their continental neighbours. But now that emigration has resumed in post-Celtic Tiger Ireland, people first think of the US, Canada, and other Commonwealth countries as possible destinations. This can be explained by the linguistic commonality and the economic dynamism of these countries, but also by the fact that places like Australia or New Zealand more readily catch the imagination of young Irish people.

When reflecting on the relations between Ireland and Europe, one has to take into account a third term in the equation – the UK. Ireland has for long been locked up in a binary relationship with Britain: it defined its modern identity in opposition to the colonial power. By granting the Irish new partners and giving them freer access to a wider space, EU integration has loosened this exclusive, mirror-like relation between Ireland and Britain. Yet British influence remains significant insofar as the media treatment of EU-related matters is concerned. There is no deep-seated hatred of Europe in Ireland as there is among certain portions of the British population but, as noted by both Tony Brown and Pat Cox, the high penetration of eurosceptic tabloid British media (*e.g.* the Sun, Sky News) does play a role in shaping a segment of the Irish public opinion on Europe. Finally, as highlighted by Peter Sutherland, the consequences for Ireland of its nearest neighbour's current hardening stance towards the EU remain to be fully measured, and the Irish are – more than any other European people – awaiting impatiently Mr Cameron's 'Big Speech' on the UK's vision for Europe.

1.4. Methodological pragmatism

'Pragmatism' is a term that often comes up to characterise the Irish approach to European integration. There are several layers to this Irish pragmatism. In the first instance, the word can be used to describe the weight of material, rather than ideological, arguments in the Irish debate on Europe. According to Pat Cox, this was true already in the 1972 referendum campaign, and particularly blatant in the way the Maastricht Treaty was presented to the Irish electorate by the government of the time: "'vote for the money' was the simple, even vulgar equation," he explains. This persuasiveness of European funding is also reflected in the Irish farmers' support for European integration. And it played a decisive part again in the recent discussions surrounding the referendum on the Fiscal Compact, with both Peter Sutherland and Lucinda Creighton qualifying the vote in favour of this treaty as a "rational" choice, the realisation by Irish voters that it was important to ensure access to the European Stability Mechanism (ESM) because their country would need to be funded by the EU until it can get back to the international credit markets.

There is another, more positive meaning to Irish pragmatism on European matters, referring to the sphere of "high European politics," as Pat Cox puts it. The term 'pragmatic' is commonly used to describe the approach of Irish Presidencies of the Council of the EU and, more broadly, of Irish diplomats in their daily dealings with Brussels and their European counterparts. Irish Presidencies have in the past been praised for their skilfulness at striking deals, due to their particular style and method. It is reported that the Irish civil service gets ready well in advance for these important European *rendez-vous* (this was the case for this 2013 Presidency, for which preparations started in early 2011, with the Department of the Taoiseach[5] employing new specialised staff, despite drastic constraints weighing on public service recruitment under the terms of the EU-IMF programme). The importance of bilateral informals is another specificity of the Irish method which commentators noted: Irish officials make sure to meet individually all important actors, at both national and European level, in order to establish bonds of trust, clarify positions, and assess the margins for manoeuvre. Finally, Irish Presidencies have a reputation for pushing forward the collective agenda rather than their own interests. As highlighted by Minister Creighton, being a small country can be an advantage when trying to reach consensus, as other Member States are not so suspicious of one's motivations. Despite this good track record, the Presidency which opened on 1st January 2013 will probably be Dublin's most challenging one to date: following the failure of the 23rd November 2012 summit, the Irish will have to preside over difficult negotiations on the Multiannual Financial Framework for 2014-2020, as well as dealing with the most severe crisis in the history of the European project. Thus, as Brigid Laffan argues in a recent paper for the ECFR, although the need to complete the euro entails the prospect of a step change in integration, hence bringing back the 'f' word (federalism) onto the European agenda, in Ireland the 'f' word is simply "fix it."[6] The Irish government is far more preoccupied with finding immediate, practical solutions to the country's difficulties than with reflecting on long-term institutional developments in the EU.

2. Debt and the future

In order to understand the current ailments of the Irish nation, one has to go back to the so-called Celtic Tiger period of 1994-2007, when an unprecedented spell of prosperity enlivened the pulse of the island. The first phase of that period was characterised by a 'healthy' economic growth, which then mutated into a bubble driven by the construction sector. Driving this building craze was another boom, in bank lending. This was part of a wider global process of financial liberalisation, which saw a lowering of the banks' reserves ratios and a dismantling of capital controls and of former constraints on interest

5. The Taoiseach is the Irish Prime Minister.
6. Brigid Laffan, 'Reinventing Europe: Ireland – from interdependence to dependence,' ECFR, December 2012.

rates. Benefiting from the credibility of the euro as an international currency, Irish banks started borrowing heavily, and (newly for them) at low rates, in wholesale credit markets in order to distribute loans to property developers and house buyers back home. As Michéal Martin puts it, joining the common currency was like "pouring petrol on a fire," and the credit bubble was further accentuated by deficient regulation of the financial sector (which some in Ireland blame on the collusion between politicians, bankers and property developers). Signs of a downturn on the Irish housing market were already obvious in 2007 but it took the global 'credit crunch' of September 2008 to precipitate the Irish financial collapse. Faced with the dive of Irish banks' shares and the risk of a run on the banks, the Fianna Fáil government decided to offer them a near-blanket guarantee, thereby 'socialising' private banking debt – without accurate knowledge of the abysmal level of the banks' losses – and springing a giant hole in the nation's public finances. Suspicions that the Irish State might have extended itself beyond its fiscal capacity meant that the government lost access to international credit markets in autumn 2010. It subsequently had to negotiate a 'bailout agreement' with the EU and the IMF: the banking collapse had effectively been turned into a 'sovereign debt crisis', and we shall now examine briefly the extent to which this crisis reshuffles the terms of the Irish debate on Europe.

2.1. Sovereignty and the balance of power between small and large states

In the words of Peter Sutherland, Ireland's accession to the EEC was welcomed with "considerable pride." For the small island to get a say equal to that of any other Member State – including Britain – at the European negotiation table meant much to the Irish. Thus the notion that EU membership gave Ireland a voice (and indeed the voice of Irish figures such as Pat Cox, Peter Sutherland or Mary Robinson was heard in European institutions) did play a role in shaping Irish people's favourable opinion of European integration. This feeling of belonging to a union of equal members was somewhat shattered by the succession of events which saw the staggering Irish State accept an EU-IMF 'Programme of Financial Support' conditional on implementation of a number of structural reforms outlined in the 'Memorandum of Understanding' which the Irish Minister for Finance and the Governor of the Central Bank of Ireland signed up to in December 2010.[7] The quarterly visits to Ireland of its 'Troika' of institutional creditors (the EC-ECB-IMF) have been highly publicised ever since they started, in early 2011, even though the Troika's envoys no longer give a public press conference on their review (following, Irish media suspect, the embarrassingly insistent questions put to the ECB spokesperson by a well-known Irish journalist on the occasion of the January 2012 press conference). Unsurprisingly, this tight supervision of domestic policies by outsiders has breathed new life into 'sovereignty' as a category of the Irish political debate on Europe. Of all the parties that oppose foreign-imposed 'austerity', Sinn Féin are the ones who have proved best able to electorally capitalise on this sovereignty line. Yet one of the lessons of the Irish 'yes' vote on the Fiscal Compact is that Sinn Féin have failed to convince a majority of voters that there is a credible alternative to the state's funding by the EU and IMF until it can stand on its own feet again and get back to credit markets.

The crisis has also rekindled Irish anxieties concerning the balance of power between small and large Member States. The notion that core European states can tend to impose their will onto smaller countries has been aired in Ireland ever since the two successive replays of the referendums on Nice and Lisbon, when those on the 'no' side argued that the will of the (small) Irish people was disregarded. These suspicions have been soured by the crisis, with some Irish media invoking the 'Merkozy diktat' to describe the way in which the Franco-German couple could be inclined to make decisions without consulting others. An instance of this is highlighted by Micheál Martin, when he recalls how the October 2010 meeting of Chancellor Merkel and President Sarkozy in Deauville, in which they announced that private investors should take some losses on the bonds of insolvent euro area countries, had a catastrophic effect on the markets and precipitated Ireland's November 2010 bailout. The 'Merkozy' couple has exited the Irish media after the May 2012 elections in France, with President Hollande being perceived as more sympathetic to Ireland's positions than his predecessor. Leaving aside Irish views on Germany, which we will come back to in the next section, it is important to note that much of the resentment at the way the Irish sovereign debt crisis has been handled at European level focuses on the European Central Bank. There is a widespread feeling, including among

7. This Memorandum of Understanding is regularly updated, in pace with the Troika's quarterly reviews of Ireland's progress in implementing its programme (due to run until the end of 2013).

government officials, that the ECB applies 'double standards' and that Ireland has been treated more harshly than larger countries such as Spain or Italy are currently. The ECB is blamed for having played a crucial role at two fateful junctures of the Irish debt crisis. First in September 2008, when the Fianna Fáil government was 'told' that it had to guarantee Irish banks' liabilities, in line with the 'no bank must fail' motto which Governor Trichet espoused after the fall of Lehman Brothers. By putting pressure on Ireland to pay back bondholders, the word goes, the ECB arbitraged in favour of protecting the banks of bigger European countries, thus placing the entirety of the banking debt burden on the Irish taxpayers. This appears all the more unfair as larger European countries are now allowed 'haircuts'. Secondly, the ECB is also said to have strong-armed Ireland into accepting the EU-IMF rescue programme, and the Irish media have been following closely the freedom of information request made to the ECB by an Irish journalist asking for the November 2010 correspondence between Jean-Claude Trichet and Minister for Finance Brian Lenihan to be disclosed. Again, the fact that, eighteen months later, the Spanish government could get away with formally asking for a comprehensive bailout is interpreted as a sign that European institutions manage the crisis in a way where national size matter.

2.2. Cohesion and solidarity

The unfolding crisis puts to the test notions of solidarity and cohesion at national and European level. At both levels, there is deep uncertainty as to which political economy models are best suited to restore long-term economic growth. In Ireland, political leaders have yet to articulate a discourse that can convey a sense of cohesion and collective progress, now that the powerful narrative of the Celtic Tiger years has deflated. In the meantime, portrayals of Ireland as the 'best performing programme country,' 'the poster boy for austerity policy' are not of a nature to sway popular enthusiasm and faith in the future. Furthermore, although Ireland's uniqueness in not having a xenophobic vote must be noted,[8] the crisis does have a negative effect on national cohesion, which translates primarily as a discrediting of the political class, a polarisation between the poorer and richer segments of society, and

8. There is no far-right, xenophobic party in Ireland but racism does exist in Irish society, directed in particular against Irish Travellers.

a stigmatisation of certain ‘privileged’ categories such as bankers, property developers, high pay civil servants, and tax evaders. The polarisation between rich and poor found a recent illustration in Dáil polemics on top bank executives’ salaries and pensions, with left-wing opposition TDs challenging the government’s professed incapacity to tackle ‘the fat cats.’ It also surfaced in the heated discussions around the 2013 national budget, with public outrage focusing on measures such as the taxation of maternity benefit, cuts to the monthly children’s allowance, and the PRSI reform. In Ireland as in many other European countries, there is a pervasive feeling that middle-income households are taking the biggest hit from the crisis. These developments at national level feed a negative inflexion of Irish views on the EU, the notion that the current European status quo favours an unfair deal for the Irish people. There is, first of all, a sense that the money generated by cuts to public expenditure and the introduction of new taxes is used to reimburse holders of Irish banks’ bonds. In 2012, the unfortunate fact that the due date for the payment of a 3.1 billion euros promissory note on Anglo Irish Bank’s debts fell on the same day as the initial deadline for the payment of a new ‘household tax’ did nothing to dissipate this feeling. Thus Irish people are seen as footing the bill for European banks’ imprudent lending to reckless Irish banks. Moral outrage and dismay at this situation is reinforced by the huge personal debt problem which Ireland is also shackled with (with a worsening of the mortgage crisis looming on the horizon):[9] ‘decent citizens’ who bear full responsibility for their own outstanding loans find it difficult to accept that bondholders should be insulated from the losses arising from their bad investments.

The crisis is also a crisis of solidarity at European level. It has seen new divisions make their way into the wider European debate: ‘creditors’ vs. ‘debtors,’ ‘AAA countries’ vs. ‘spendthrifts,’ Eurozone vs. the rest of the EU, etc. Whether the testing challenges currently facing European leaders will lead to reinforced integration or to disintegration, it is beyond the scope of this introduction to ponder. Here I only intend to clarify what is understood by ‘European solidarity’ in the Irish context and how this plays out in Dublin’s endeavours to negotiate a reduction of its debt with its European partners. As Pat Cox puts it, the 64 billion bailout which the Irish government granted the banks

9. A worryingly high proportion of Irish mortgage holders are in ‘negative equity’ (when the mortgage loan they contracted exceeds the current market value of the property securing it), and more are expected to go into arrears in 2013.

in September 2008 can be seen as "an act of stupidity," but it is also "an act of extraordinary solidarity." The idea that by socialising bank debts, the Irish people have rescued not only their own domestic banks but also the entire euro-system is at the core of the Fine Gael-Labour government's strategy to obtain a debt restructuring. The Irish have shown solidarity, and they expect solidarity in return. Dublin's current diplomatic efforts are grounded in the 29 June 2012 euro area summit statement, which affirmed the necessity "to break the vicious circle between banks and sovereigns," mentioned direct bank recapitalisation by the ESM (conditional on the creation of a single supervisory mechanism), and committed to examining "the situation of the Irish financial sector with the view of further improving the sustainability of the well-performing adjustment programme." What this entails exactly remains open to interpretation, but the Irish government took it as sanctioning the use of the ESM for *retroactive* bank recapitalisation. These hopes were soon dashed by the trio of triple A countries' Finance ministers (German, Finnish and Dutch), and Dublin's efforts are now focused on seeking relief from the ECB on 30.6 billion euros of promissory notes[10] that were issued by the government to bail out Anglo Irish – the property developers' bank chiefly responsible for Ireland's financial disaster – and Irish Nationwide Building Society, a second failed lender, which are both being wound down in a single vehicle called the Irish Bank Resolution Corporation (IBRC). Although the government is confident that it can get a deal ahead of the next March 2013 payment deadline, a breakthrough remains to be confirmed on this matter. The Irish media have been reporting on both issues – the use of the ESM for 'legacy debt' and the promissory notes' restructuring – in a saga-like manner. In this saga, the ECB, Germany, and Commissioner Rehn feature prominently on the side of those who are insensitive to Ireland's bid for a gesture of European solidarity, while the IMF and France are portrayed as more "understanding." The language of friendship and enmity has long been that of international relations. In the context of the European debt crisis, it goes together with an upsurge in national stereotyping. Olli Rehn – who rejected Dublin's attempt to defer their March 2012 promissory note payment by reminding the Irish that "the principle in the European Union and the

10. The promissory notes are forms of government 'IOUs' with specific repayment terms attached to them. A first 3.1 billion payment was made on 31st March 2011, and the Irish government is due to make further 3.1 billion repayments on March 31st of every year for the next 12 years, and then lower payments until 2031. The notes are issued directly to IBRC, which uses them as collateral to draw down Exceptional Liquidity Assistance (ELA) funds from the Central Bank of Ireland (the ECB doesn't accept the notes as collateral to access normal ECB liquidity). The government is also due to pay interest on these notes, which adds a further 17 billion to the Anglo Irish-related bill.

long European legal and historical tradition is *pacta sunt servanda*: respect your commitments and obligations" – belongs to the same cultural sphere as Chancellor Merkel, whose firm 'austerity' stance focuses so much of the Irish media's attention. Yet, contrary to what the situation is in some other European countries, in Ireland, the caricaturing of the European neighbours' national personality entails a measure of humorous self-derision: "Angela Merkel thinks we're at work," read a poster held by a group of Irish football supporters at the time of the 2012 European championships. But this humour can also turn sour, as when, in a satirical Irish TV programme, the German Chancellor is regularly represented against the backdrop of an angular black eagle that has shed the soft contours of its post-war silhouette.

In conclusion, it is worth emphasising that Ireland's present difficulties are similar to those facing many contemporary nation-states in their relation to globalised financial markets. As Mario Draghi likes to highlight, whatever about loss of sovereignty to the EU and the IMF, European governments have yet to acknowledge that they have lost their sovereignty by piling up amounts of debt that make them dependent on borrowing from international credit markets. And the Irish government is very much of the view that no viable solution can be found to the structural misfits between national policy and market logics outside of the collective framework of the European Union. The current configuration of the embeddedness between the capitalist order of the market and the political order of the state is a perilous one for the credibility of both national and European political institutions. In Ireland, the recent episode of fiscal rebellion, (when, in March 2012, half of the 1.6 million Irish homeowners failed to pay the new household tax) can be seen as a refusal to acknowledge their 'social debt' to the state. Following this interpretation, one could say that Irish citizens are renegotiating their social obligations in a context where the state is perceived as being permeated by the market and failing to perform its nurturing duties. This is why efforts to break the link between banks and sovereigns, which are at the heart of current European designs for a banking union, are of such vital importance to governments across Europe. Of equally crucial importance to Ireland is the obtaining of a deal on the Anglo-Irish promissory notes, without which market suspicions over the sustainability of the Irish debt will not be lifted. One proposition on the table is to turn the promissory notes into long-term money, by swapping them for a forty-years bond – the underlying assumption being that markets will always be willing to buy bonds with a maturity of over twenty years. Thus the Irish government is striving to push its debt into the future, to carve out a temporal frame that is beyond the reach of markets (in order to be able to go back to those markets). Finally, it is too soon to fully assess the consequences of the European sovereign debt crises on the state of the Union. The conflict of interpretation – on whether spendthrift welfare states or ruthless financial speculators are to be blamed for the crisis, on who is responsible for what, and who should pay what – is far from settled.