

CBI/CEPR/IMF Conference

Comments on Barry Eichengreen

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Before the Crisis

- Iceland was a one-off. A better comparator for Ireland is Denmark, which was in the EU, outside the Euro. Denmark had a bank bust but it was smaller.
- Abolishing the currency kills the best canary in the coalmine.
- There were plenty of warnings in Ireland, but the international organisations were too complacent (and more influential).

The Crisis and the Guarantee

- There was no resolution framework in place, although it had been considered. Also none at European level.
- Alternative was ELA for the bank in distress – there was only one – to buy time.
- Still unclear why the guarantee was so broad.

The Promissory Note Deal

- The ECB twice threatened the withdrawal of consent to ELA unless almost €20 billion was paid to unguaranteed and unsecured bondholders, two of which had already been closed and had lost 8 and 10 times their capital.
- The legality of this manouvre should be tested.
- The costs of reassuring lenders to the broader Eurozone banking system should not have been arbitrarily imposed on a member state.

Sale of State Assets

- In Greece in May 2010 a figure of €50 bill was included for state asset sales. Current target €8 bill. Also a (smaller) component of Irish, Portuguese programmes.
- Sales at fair value do not help solvency.
- Danger of creating forced seller.
- IMF should conduct a review – should proceeds be included in programme financing at all?