

Living in an Age of Austerity

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The recent UK and Irish budgets reveal the full extent of the age of austerity that is opening up. They show the havoc that the credit crunch, the evisceration of financial services (in Britain) and the housing market (in both), together with the severe recession, are having on Britain and Ireland's economies and public finances.

Britain (or at least the City of London) was the world's Number One financial power. All that is now dust. The Celtic tiger seemed to offer the prospect of transforming Ireland's green fields into perpetual Elysium fields. The sons and daughters of want would be eternally blessed. These were extraordinary times where the masters of the universe would live for ever.

Much of what was yesterday's wisdom has proven to be illusionary – like the idea that we could have well-funded state services and low taxes, and lots of personal debt and massive private consumption.

Great turning points stand out because they make the way things were before appear absurd (e.g. communism before 1989). This is such a turning point. Britain and Ireland are going to be very different – much diminished – places, as a new phase in economic, political and cultural life opens up. The next few decades are not going to see a return to business (or anything else) as usual. They will be sharply different, but in ways that are not yet clear. The transition is likely to be nasty; the state will be poorer and therefore able to do less. The political issue will be: what is that less to be? The mind boggles what it means for Northern Ireland, so heavily reliant on public expenditure. But let's not talk about it, we might frighten the voters. There will be no water charges; regional rates will be frozen for ever. We will fly with the pigs in the best of all possible worlds.

David Stevens